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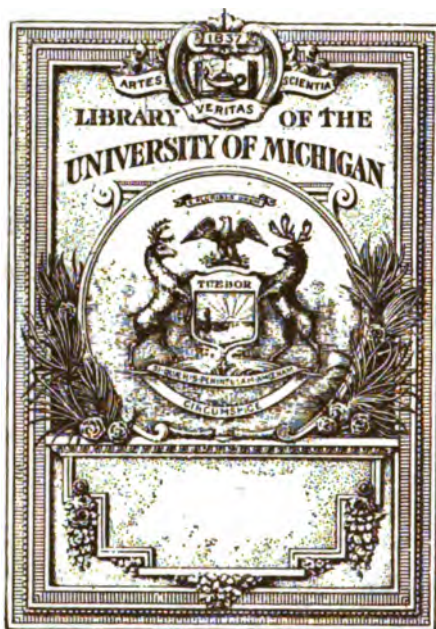
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*social science, political, and
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PRESENT-DAY IMMIGRATION

WITH SPECIAL REFERENCE TO THE JAPANESE

The Annals

VOLUME XCIII

JANUARY, 1921

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JAN 24 1921

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FOREWORD

DURING the war there has been much speculation as to what America might expect in the way of immigration in the future. With the advent of the thousands knocking at the doors of Ellis Island for admission, a renewed interest in the problem of immigration has been aroused in this country and Congress is now considering ways and means of securing a breathing spell in order that some constructive policy may be reached. With the close of the war the agitation against the Japanese on the Pacific Coast has been renewed and in November last, California passed a very drastic law with reference to the leasing and selling of land which may perhaps invite international complications. Meantime, during the war our immigration laws were suspended—by what authority seems a bit uncertain—and the Mexicans were permitted to enter freely. It has seemed, therefore, to the Editors of *THE ANNALS* that a volume discussing present-day conditions would be most timely.

Inasmuch as the Japanese question, because of its international complications, is in many ways the most important of the immigration topics, particular attention has been paid to it. The writers, chosen because of their knowledge of the subject, were invited to express their own opinions and have in no sense entered into a debate. For the convenience of the reader, however, I have attempted to classify the articles and on pages 16 to 55 will be found the papers in which the presence of the Japanese is considered a peril to the country and in which, therefore, a greater degree of exclusion and more drastic regulation here are

advocated; while on pages 55 to 120 will be found papers taking a more favorable view of the situation and inclined to deprecate any discriminatory legislation or treatment. I commend a careful reading of these various articles to all who are interested. It is perhaps proper for me to state that the United States Census figures published since these articles were written report a Japanese increase in California of 28,840 as over against the 45,927 claimed by the report of the State Board of Control.

Three papers dealing with the immigration of Mexicans will be found on pages 121 to 133 and the attention of those interested is directed to the fact that in Miss Baughman's article (page 161) will be found further reference to the Mexicans.

In the closing section of the volume effort has been made to present some of the underlying factors involved in the translation of foreigners into Americans and while I must not comment on individual articles, I may suggest that the general reader will find a viewpoint somewhat new presented by Professor Miller, who emphasizes the importance of psychological reactions of people who have lived under repression. Miss Kellor strikes a new note in immigration discussion. The Academy considers itself fortunate in having a constructive article with reference to our control of immigration presented by so able a man as Mr. Jessup. I am sure that these papers will prove of value to those who are helping to shape our future policy.

CARL KELSEY.

Univ. of Pennsylvania.

The Background of the Relations Between Japan and the United States

By HON. ROLAND S. MORRIS
American Ambassador to Japan

I AM not going to discuss any of those questions which may at the present time be the subject of friendly discussion between our Government and the Government of Japan. All will appreciate the convention incident to my present representative capacity, and which makes it inadvisable for me to discuss any subjects which are being discussed between our governments. And yet, I do want to say just one word. I had occasion just before I left for Japan to quote the words uttered by Viscount Ishii when he arrived in San Francisco on his special mission. He then said that from his experience of the diplomatic relations of the Japanese Government he was confident that there were no questions between the United States and Japan which, if approached in a spirit of fair-mindedness, candor and generosity, were not susceptible of a perfectly just settlement.

And that is the reason that through these days when the interest of our people has been concentrated quite considerably on the questions of our relations with the Japanese Government and people, I have sincerely regretted the ill-considered statements which appear in both countries from time to time, suggesting that we may have serious difficulties or even conflict with Japan.

I concur entirely in what the Premier of Japan, Mr. Hara, said only the other day, that war between the United States and Japan is simply

unthinkable; but I do, having said that much, I do, as I say, value this opportunity just to speak about what I have called the background of relations between the United States and Japan. First, I want to speak very briefly about our historical associations, because we can not understand the background of relations between peoples unless we recall to our minds some of the historical associations which are connected with those relations.

It is the habit, in discussing this subject, to refer generally to the service which was rendered at the time that Commodore Perry first opened the ports of Japan and brought Japan into contact with the Western life and Western civilization after a long period of seclusion. Of course, that was a dramatic episode in 1853, followed as it was by his first treaty, granting certain limited privileges to vessels under the American flag that desired to take refuge or to trade in the ports of the Japanese Empire. But perhaps not unnaturally the real basis and foundation of our relations which were laid by our first consul and minister resident to the Japanese Empire have been more or less hidden by the intervening half a century since his labors were performed. I wish that the American people knew more than they do today about the extraordinary, romantic and successful career of Townsend Harris, who went to Japan as the result of one of the provisions of the Perry Treaty, which allowed the Government to

send there a consul who, it was provided, should reside at the little port of Shimoda on the Peninsula of Idzu, across the mountains from the capital of the Empire.

The man whom the President of the United States then chose for that task had been a merchant of the old New York type. For many years he had attended to his business earnestly, had gone to his club of an evening, and taught, as they all did inevitably in those days, his Sunday-school class on Sunday, and who probably thought that he was destined, like the merchants of his time to be buried in Trinity churchyard, opposite Wall Street, where so many men who have lived the same kind of life in New York found a resting-place. By curious chance, however, he decided, late in life, when he was approaching fifty years of age, to abandon this regular life and go out to the Far East to study Far Eastern conditions. It was there he was found by our Government, and requested, first, to negotiate a treaty with Siam, and then proceed to take his position as consul at Shimoda.

There is something very romantic about his arrival there, when he was left by a man-of-war on this Peninsula, the only foreigner at that moment, excepting the interpreter, Mr. Heusken, in that far world—cut off from his own country and the outside world—entrusted with the task of persuading the Japanese Government and the people that they ought to enter into closer international relations not only with the United States but with the other countries which were at that time knocking at their door for recognition.

They wanted him to go home, begged him in every way to leave; told him they wanted to go back to their historic seclusion, and not to be annoyed by having to come in contact

with the outside nations. For over fourteen months he remained in Shimoda, trying to persuade them to permit him to go across the great Hakone range of mountains and into the City of Yedo in order to present his credentials to the Emperor of Japan or the Shogun, whom he believed to be the Emperor of Japan at that time, and establish diplomatic relations with the Government.

Many obstacles were placed in his way, but finally by tact, sympathy and diplomacy he won his point and made his triumphal journey to Tokio, marching across the mountains, guarded by a Japanese escort and accompanied by his lone interpreter—probably one of the most remarkable journeys ever made by any representative of our country. He was going through a country which had been shut off from any sight of foreigners for over two centuries and a half. He was practically alone. Thousands, tens of thousands, it was estimated, as he approached the city, were gathered there to view this strange person who was going through to deliver credentials from a foreign potentate.

He entered Tokio, and I want you to realize this fact, only sixty-three years ago this November, and there are many men—some of them who have risen to prominent places in the Government of Japan—who can recall the excitement occasioned by his entry into the city, men who are still living and active.

It is hard, is it not, for us to realize that this history of the relationship covers only a period of a little over half a century? When he entered Yedo, or Tokio, as they call it now, he was going through as the first representative who had ever come from a foreign country since the time the ports of Japan were closed back in the

early part of the seventeenth century.

Mr. Harris found a very unusual and unexpected situation. Forces which had been gathering within the Empire of Japan for over a century before his arrival, forces of a newer learning and broader outlook, forces of a greater desire to come in contact with the world at large—suppressed and held down—were beginning to assert themselves.

It was not the opening of the ports by Perry or the presence of Townsend Harris, the American representative, that made the new Japan. That was in the making for centuries before they came. It simply was the act that concentrated these forces so that they might assert themselves, and which resulted in the civil war which took place a few years later, and gave to these forces the control of the destiny of this great nation. When he came there he did not realize the seriousness of that struggle, or how closely it impended; how much it meant to the nation. He was bewildered by the strange surroundings and atmosphere and conventions. He found a perfectly contented and highly organized civilization and government. He tried, with shrewd common sense, with a generous heartedness, with large sympathies, to break through this unfamiliar veil which concealed the real purposes and meanings of the people with whom he was dealing, and tried to get at the heart of the problem; and yet he was often, as he tells in his *Journal*, utterly baffled by it.

But he struggled on. Plainly, his diary is a record of faith and sincerity which is an inspiration to any man who has any task of that character, in the study of another people,—telling us in that diary how he struggled on, disappointed, seemingly misled, not making progress in his associations, but believing if he were frank, if he were

sincere, and if he were generous in his sympathies, if he made allowances and tried to understand, that in due course he would be able to understand.

And the man whom the Japanese representatives had begged to leave their country, after he had been there for a period of six years, was the same man that they begged even harder that he might remain, because, they told him, "Your interest and your sympathy has made you understand as no foreigner can understand." Their disappointment was keen when he went home. We in the United States have forgotten about that representative who labored there alone, but there is hardly a Japanese man or Japanese child that can not tell you of the history and of the achievement of Townsend Harris, and what he meant to their people.

Now, I can give you many illustrations from that historical period but I do not have the time. I want to choose one illustration which will show you the difficulties of his problems and the way he approached them. After he had negotiated our first treaty—our first large treaty that succeeded the Perry Treaty—he found a tremendous reaction among the Japanese people against the prospect of any closer contact with foreigners. There was a period of dissension, a period of approaching civil war. His own life was threatened. The representatives of other countries, who had been gathering there in the years succeeding his visit, became alarmed. They said that the moment had arrived when some form of intervention or of joint action would have to be taken in order to protect foreign interests that had established themselves in the Japanese Empire. And then, in that critical moment when intervention might have taken place and the whole history of Japan might

have been changed, the faithful, devoted friend and interpreter who had acted for Townsend Harris during the years of his residence, Mr. Heusken, was murdered in the streets of Tokio; and instantly practically every other foreign representative left the city, and protested that they would no longer stay within the confines of that Empire away from the guns of their men-of-war. But the one man who had been the most directly attacked, whose own interpreter had been stricken down, stayed in Tokio all alone and said, "I know this does not mean any antagonism of the Japanese people, this act of a single man; and I propose to remain here, get the proper reparations from the Government, and continue to trust the Government that has assured me they will do everything they can under difficult conditions to give me protection." He stayed for some three months, and there are Japanese still who can tell you how they watched this strange foreigner pacing up and down the porches of the Buddhist Temple in which he made his home, watching with patience the developments outside. He remained there until one by one all the other representatives returned. The crisis was over. The Japanese Government made the proper amends for the act of her citizen and intervention was averted.

This splendid exhibition of sympathy, of understanding, of judgment—that was the note, the spirit rather, that ran through the whole conduct of this our first representative to the Japanese people at a most critical time. It was a spirit that was carried on and exemplified by his immediate successor. It formed the basis and the foundation for the attitude of mind which has been taken by our people and our Government toward the wonderful development of the Japanese

nation and people in the last fifty years, a spirit of generous understanding, of real sympathy, and of faith in their intentions and in their purposes and their willingness to coöperate if we can retain and keep that faith.

Later on the diplomatic matters became less important than they had been in Townsend Harris' day, and that was succeeded by the next one of the contacts or associations which the American people have had with the Japanese people as a background for their present relations. Townsend Harris left Tokio in 1862. He went back to find his own country in the throes of a great civil war. Our interests were concentrated on our own problems and our own period of reconstruction that followed. We lost sight, perhaps, of the interest which we had aroused and the sympathies which we had created across the Pacific. Between 1865 and 1866, when we began the completion of our great transcontinental railroads, and the period toward the end of the last century, we were moving forward in that tremendous development of our western territory; we were more or less a people who were centered on ourselves, and the result was that so far as our trade relations were concerned—which would have been the basis of many other relations with the Japanese people—they fell off and amounted to very little. In fact so much so, that during that period some cynic once remarked that Commodore Perry had succeeded in opening the ports of Japan to British trade and American missionaries. But that last phrase is the one that I want to pause on for just a moment. While we were not interested primarily in the development of Japanese trade in those intervening years when we were developing our own country, we were profoundly interested in education and missionary

work which was being carried on by as remarkable a band of men and women as has ever been sent on any mission by our country. I like to think of those splendid statesmen—missionaries, like Verbeck and Davis and Hepburn and Loomis—who went out in the late sixties or early seventies, and became the counsellors and friends of the Japanese people and the Japanese Government officials, and helped them in making these early contacts with Western life after their long period of seclusion.

We hardly realize how much that educational and missionary work has done, because one can never value the effect, or estimate the force of an idea as it permeates into the body of the civilization of a people. They established a university. They established contacts. They guided the early students who came in such numbers to the United States. They formed that bond which has continued to exist between our two peoples, that bond of education in which thousands of Japanese young men have come over to study our institutions, to live in the atmosphere of our life, and go back there to live in the political, commercial and other interests of their country.

One can hardly comprehend, in the study of the Japanese problem, the vast sympathy and affection that has been created in the Japanese people by the unselfish effort of the hundreds of men who have gone out there and educated those people through the past half a century. We must keep that as part of the background of any questions or problems that may arise between our two peoples.

Now I want to say, finally, as another element, something about the growth of our trade relations, because these too are forming now, even more than at any other time, another great

bond of interest and of exchange between the two nations.

In the early days, as some of you will recall, we had a large, hopeful and growing trade of the clipper ships across the Pacific engaged in the China trade primarily; and we had great hopes at the time that those ships, with their famous skippers, going out from the New England coast, into the Far East, and coming back laden with the materials they had gathered there, would be the basis of a great trade of our country with the Orient. One of the reasons our Government saw fit to send Commodore Perry to get better privileges at the ports of Japan, was for the protection of that early China trade. These ships often had long passages to make, often ran out of fresh water and other necessities, and were unable because of the seclusion of the Japanese to enter port and gain succor and supplies. That is one reason the effort was made to bring this secluded nation within the community of nations; but it is one of the ironies of history that, while Townsend Harris was negotiating the details of the second treaty that was to provide this very thing, we were engaged in a war at home which was to result in sweeping the American merchant marine from the sea for a long period of time. So that, at the conclusion of that war, much that had been gained was of no avail because our ships were no longer on the high seas sailing under the American flag.

So it was for this reason that our shipping industry failed. Because of this failure and because of our concentration of interests within our own border and the development of our own country after the Civil War, very little progress was made in our trade relations with the Orient. In recent years, however, as Japan's needs have grown, as our capacity for production

has developed, and as we too have been reaching out to find foreign markets, we are beginning to build up a trade which was beyond all the conceptions of those who first thought of the possibilities of friendly trade relations with the people of the Far East.

Here are some figures to show how in the last three years alone that trade has developed. We all know the demand that has been made in this country in recent years for various silk products, but I do not believe that we appreciate how much of that silk comes to us as raw silk from the Empire of Japan. In 1917 we imported from Japan raw silk worth \$154,000,000; in 1918, \$173,000,000 and in 1919 we imported raw silk to the enormous total of \$328,000,000.

From that amount, sent to us by Japan, Japan obtains the funds with which she can purchase in our market the cotton needed in her mills in order to supply the market which she is developing in China. Here is the strongest conceivable basis for the closest possible coöperation in the development of a splendid trade on the Pacific between these two countries.

Just a word in regard to the spirit of coöperation which has characterized some of our recent trade efforts in the Orient. The organization of the consortium of which you have read, an effort of the leading nations to join together in solving China's pressing financial problems and assisting in the improvements which the Chinese need, is one of the coöperative efforts. The effort which was made under the leadership of the United States in Japan during the period of the war, and afterward, in the international supervision of the Chinese Eastern Railway in an effort to hold open that trade route

into Siberia and Russia is another evidence of that general international and trade coöperation. It is along those lines that lies our greatest hope, and the greatest possibility of closer coöperation with the Japanese people; and it is because of this that I turn back again to the spirit that pervaded the negotiations of our first representative, and ask, "Are we not justified in believing that, as in a solution of the questions which he had, he found success by his spirit of generous sympathy, understanding and real earnestness of purpose and firmness, so may we not, studying the various problems which may arise between these growing interests of our two countries, adopt precisely the same spirit and same method and be assured of the same success?"

Just one thing more: The fact that there are problems or questions between nations is in no sense an evidence of unfriendly relations between them; rather it is evidence of the growth and the closeness of their mutual interests. Those are the things that bring these questions up for adjustment. I have tried to show you thus briefly how close those mutual interests have been—historic, educational, commercial—and my one hope is that we as a people, freed from bitterness, from prejudice, from hasty judgment, will study the new questions as they arise, calmly, in a spirit of generosity, confident that if we are sympathetic, are loyal to our own interests but generous in understanding the interests of others, we will find in the Japanese people a response which will show to us anew the faith that they have always had in our unselfish purposes and in our high international ideals.

The Attitude of the Chinese towards Americans

By HON. PAUL S. REINSCH¹

Recently United States Minister to China

I AM to speak about the feeling which the Chinese people entertain towards America at the present time. I shall therefore not be able to go back to look at the historic origins. Our relations with China go back one hundred and forty years; and, as you know, our first national consular representative was appointed to China in 1786. It is an inspiring part of our national history—that venturesome and perilous voyaging from New England and the Middle States around Cape Horn to the ports of the Far East; it shows the spirit of national adventure, one that later expressed itself in the pioneering progress across the Continent. At the time Townsend Harris did his work in Japan we were just on the verge of turning away from these world-wide developments, and concentrating on our home affairs. Through the Civil War we lost our merchant marine, which happily now is being restored so that our flag will again be seen in these distant countries competing with the other great commercial nations of the world. That is one of the few advantages we can see coming out of the troublous times we have passed through during the past few years.

In that long period of one hundred and forty years there has developed in the minds of the Chinese quite a definite idea as to what America is, and what America stands for. Where-

ever you may travel in China, you can not fail to be struck with the universal confidence in America. That is not merely holiday talk, or diplomatic courtesy—it lives in the hearts of the Chinese people; that living faith in America, existing throughout so vast a population—the most antique and complex civilization in the world—I believe is one of the greatest treasures that we possess. It appears and expresses itself on many occasions, but I shall just cite one illustrative instance. When the American War Works Drive was undertaken in 1918, word was sent to China that it would be desirable if the Americans there did their part, and perhaps some Chinese friends might wish to contribute a little. The Chinese were then in a difficult situation, and nobody had any expectations at all, but it was thought possibly they might contribute something like one hundred thousand dollars. I casually mentioned the matter after a dinner to two prominent Chinese officials with whom I was sitting, simply telling them about the drive and saying, “Do you think that the Chinese would wish to express their good will in some way just to show that they have taken notice of it?” They looked at each other and said, “yes.” Within five days they had formed committees in every prominent city in China, and whereas we had thought that possibly a few rich individuals might give a testimonial, they raised without any further suggestion, entirely of their own motion and with their own methods, a million and a half dollars, within two weeks.

I might cite a great many similar striking instances which speak of

¹ Author of: *The Common Law in the Early American Colonies* (1899), *World Politics at the End of the Nineteenth Century as Influenced by the Oriental Situation* (1900), *Colonial Government* (1902), *Colonial Administration* (1905), *American Legislatures and Legislative Methods* (1907), *Intellectual Currents in the Far East* (1911), *International Unions* (1911).—THE EDITOR.

their feeling, but it is the expression of it as one encounters the Chinese in every-day life that makes one feel it so strongly, and that makes people say, "the best passport anywhere in China is to be an American."

When we look into the reason for this feeling which is encountered everywhere, we think first of the action of the American Government which has in general aimed to be helpful to China. We have helped the Chinese in the opium matter; we have always taken the attitude that their rights as human beings and as a nation should be respected; we have always stood for a liberal interpretation of the provisions of the treaties which are sufficiently harsh under any circumstances.

The return of the Boxer indemnity is often cited; in fact, a great many people have an idea it is because of this act that the Chinese are so friendly. Indeed, the Boxer indemnity will be mentioned as an outstanding fact on very many occasions in China, and yet it is rather the spirit of that act than the amount of money which has impressed the Chinese. The fact that the indemnity was returned to them without any show of virtue or without an intimation that we were doing the Chinese a favor and expected something in return, but as a banker pays back the balance that is due, an act of simple equity,—that impressed the Chinese. Of course, our foreign friends have broadly hinted that this matter was craftily arranged so as to impress the Chinese, but the Chinese fortunately did not take any stock in such insinuations, because they know Americans and have known them for one hundred and forty years. We could have treated it as an act of charity; we could have made it a lever for getting concessions; but we did none of these

things. We said, "Here is your money, it belongs to you."

The Chinese are characterized by an innate sense of equity; in all of their social arrangements there is a basic equity which manifests itself at all times. They are the one nation which could most easily get along without any government whatsoever, by simply relying upon this feeling of equity which lives among the people. And it is because the diplomatic action of the American Government has at all times been based upon the idea that the Chinese are entitled to human rights, that we respect these rights, that we do not ask any concessions for respecting them, that the Chinese have conceived such deep confidence in America. Of late when we were involved in the war in Europe, and in the settlement thereof, it has not been possible to fulfill the expectations which the Chinese people had entertained with respect to effective support of their just claims. Nevertheless, they have felt that there probably were difficulties of which they themselves did not know. They in their essential reasonableness have not charged us with lack of sympathy and support, and they have kept their confidence. They have maintained the same attitude on the Exclusion Law. They are most reasonable; they consider that the United States is justified in not desiring large bodies of people of entirely different traditions to settle within the United States.

During all my intercourse with the Chinese as American Minister I never heard a harsh word of criticism concerning this matter. It is possible, of course, the Chinese could be stirred up about it; there are plenty of people who are ready to call the attention of the Chinese very pointedly to the fact that there is a grievance here. That has

been done abundantly, but the Chinese have taken the view which I have stated to you. Should we become guilty of any injustice against them, or should we coldly abandon them to the intrigues and aggression of others, their attitude on this point might change.

On one point the Chinese have often been indignant, namely, that Chinese who have a perfect right under our Laws and treaties to come to the United States—Chinese officials, merchants and students—are often at our ports of entry, subjected to very annoying delays, and in fact, from their point of view, to indignities. I shall mention only one case which recently happened. A Chinese merchant came here to inspect our electrical industry, expecting to place a large order. He had letters of introduction to American firms, and his patronage had been sought for years. The immigration official at the port of entry sent him into the detention place for several days; when he emerged from there he not only bought his ticket to New York but beyond, to England. It is a very poor policy even from a purely commercial point of view; every other nation labors to attract the Chinese.

I have thus far spoken of matters relating to the government. The feeling of confidence expresses itself also quite universally in the daily intercourse among individuals. Certain outstanding things have been done by America and Americans, which have enlisted the good will of the Chinese. Great enterprises for human betterment have been undertaken, like the China Medical Board of the Rockefeller Foundation, with its splendid new hospital and medical school in Peking, and similar work elsewhere; a great many missionary hospitals; colleges and universities in Peking, Tientsin, Foochow,

Shanghai, Changsha, Chengtu and Canton, which are all doing splendid educational work. These institutions are centers from which there radiates an influence that goes to the most remote parts of China, and far exceeds in its beneficiaries the number who come within the gates of such institutions. They are models upon which other institutions fashion themselves; men go out and exert their influence in establishing similar training institutions elsewhere. In the great work of giving to China a share in the modern education of the world, these institutions have taken the lead.

If these great enterprises had been established with the purpose of a charity, to do work for the Chinese, the latter would have remained apathetic; but as the universal spirit of Americans is to help the Chinese help themselves, confidence and real friendship are the result. As in the Boxer indemnity, it is not so much the money that is the essence; the twenty million dollars that Mr. Rockefeller gave did not of itself impress the Chinese, as they are not easily impressed by sums. They were, however, impressed by the spirit of that gift, and the spirit of the men who came to work there. This is the real heart of the feeling of confidence—the spirit that has animated the Americans in China through these generations. The other nations have generally been holding to what we call “treaty port isolation” in dealing with the Chinese; they took off the cream of the trade and concerned themselves but little with the welfare of the country. But among Americans, first the missionaries, and then the teachers and merchants, there has been a different attitude.

The official world representing foreign nations has usually taken the attitude that the Chinese are not ca-

pable of managing their own affairs, and that the best thing for China would be to institute a foreign control. That has been done in the Customs Revenue, in which the Chinese themselves have no chance for promotion to the higher offices, and which is therefore a distinctly foreign service. What in the eye of the Chinese distinguishes the American point of view from that of the other nations is that whatever the Americans have done they have done in a spirit of coöperation, not with a view to establishing a hierarchy of officials or a group of mentors that would perpetuate itself and pass to its successors authority over the Chinese. America has been true to her democratic ideas in her treatment of the Chinese.

This may be well illustrated from the work of the Young Men's Christian Association which has a very powerful and beneficial influence in China.

The Y. M. C. A. men have gone to China, not in order to build up there a permanent *American* organization which would tutor the Chinese, but with the idea of arousing in the Chinese a desire for better things, and helping them to achieve improvements for themselves. Thus, for instance, the development of athletics was exceedingly necessary in China, both on the physical and on the moral side. The classes engaged in business and learning had led a sedentary life for centuries; they needed more physical stamina, because our Western method of work and life requires more intensive and long continued exertion than the Chinese were accustomed to. They needed athletics for their good health, to take them away from cards and chess and other indoor games, and to take them out into the open; but on the moral side too, to overcome clan-nishness, to make them realize the meaning of fair play in competition;

to learn that defeat can be as glorious as victory in a fair struggle. Young China has made decided progress in such training as one may see at their great athletic meets. I saw one not long ago in Taiyuanfu, an interior capital. The athletic field was in a corner of the city walls; these huge ramparts had been cut in tiers, to afford seats for at least fifteen thousand Chinese whose blue and white gowns made a bright background to the scene. There were tents on one side where the different competing teams had their quarters, and a grandstand closed the quadrangle. The whole performance went off like clockwork. All the colleges and universities of North China were represented, including six provinces. There were four or five "events" going on at the same time; after every series there were passed around multiple tally records so that everybody could know what was being accomplished. There was no hitch, no tedious delay.

Such contests had first been nurtured by the Y. M. C. A. But Americans were not in control as managers; they were there ready to give a hint when needed or to act as referee; but they had impressed upon the Chinese, "this is your affair, you manage it." The readiness of the Americans to start useful work in China and then to withdraw into the background and take joy in the Chinese doing it themselves—that has won the hearts of the Chinese more than anything else. As a result of all this these men have gathered confidence, trust and esteem, which could not be won in any other way.

The same spirit prevails among most of our merchants, who are entering upon coöperation with the Chinese. They train up young Chinese in the methods of Western business. It is there we can perform one of our great-

est services. In the organization of modern business out of the traditional methods in China, some of the excellences of the ancient system tend to become defects unless they are corrected. The traditional commercial virtue of the Chinese should be taken over into the modern method of doing business, or there will result a reign of rank materialism in China. It is there that the sympathetic guidance of Americans in coöperative enterprise can do the most for China—to teach them the proper and effective use of corporate machinery.

From an intercourse extending over a period of 140 years, there has resulted on the part of the Chinese a feeling of confidence, trust and good will towards the Americans, who have desired that the Chinese should be masters in their own country. The Americans, for their part, have confidence in Chinese honesty, fairness, and humanity. You may take it as a rule that the longer anyone has worked among the Chinese, and especially in the interior, the more strongly will he be impressed by their fine qualities and capacities.

The word "prestige" is very often mentioned in international matters—"we must not lose our prestige," or "this action would be dangerous to our prestige"; it is a term very closely bound up with what we call the old diplomacy. Where prestige is the result of strength of resources, of sound methods and of just dealing, it is a national asset. But there is often a desire to get prestige by outward bravado and the rattling of sabres. Those who rattle sabres, I think history has shown, have gained in the long run only hatred or ridicule, or both.

The Chinese are keen judges of human nature and human character, and are not impressed by bluster. If anyone loses his temper it strikes them as

amusing, and if anyone swears and scolds, they smile. They can only be moved by a man who keeps himself perfectly in hand and remains calm and reasonable; otherwise, whatever he may say or do is discounted. In international intercourse they have, of course, been repeatedly made to do things by the mailed fist, by being told "this must be done or the war ships will bombard." We must remember, however, that action in such cases was taken by individual officials or ministers who stood alone without feeling back of them the public opinion of a great nation restraining and upholding. Very often the most valuable concessions were given in a weak desire to put off the evil day, to gain a present respite in the hope that the evil could be undone in the future. The individual minister did not himself have the strength of stubborn resistance. Therein lies the weakness of the Chinese; they do not have the spirit of John Hampden and Luther, the strength to stand up and say, "Here I am, and nothing shall move me, because it is my right."

It is a remarkable fact that when a Chinese desires to protest against an evil he commits suicide as a last resort. We do not yet know all the facts of the recent suicide of the Viceroy of Nankin, a very able and strong man; but it is reported that he has left in writing a statement that he felt unable to cope with the difficulties which confront China, and that therefore he resigned his life. That has been one way which both men and women in China have taken to resist or protest evil.

In China right has always been vindicated by society as a whole rather than by individuals; and society has been strong to resist evil, to oppose tyranny. Therefore they have relied upon it and not upon individual action. Society has protested in a different

way from individuals, and in a very effective way—by passive resistance or non-action. The first thing anyone who desires to understand the Chinese must know is that the Chinese do not think very much of the formal act of the government. They know that nothing can be accomplished permanently unless the people are convinced of its justice; otherwise, they will fall back on passive resistance and the enterprise in question will not make much progress, it will not be profitable or beneficial, because there will be a little resistance here and a little delay there—a boycott, a strike or mere leaden indifference. The usual way in which official acts that were considered unjust, were resisted was by universal strike; all the shops would close, people simply sat down and did nothing. The magistrate responsible had to scurry about to make a compromise; he had to call the business people together and talk it over, and see how it could be adjusted; but if he could not settle the trouble he had to leave and make way for somebody else. So the Chinese were not at first sufficiently aware of the danger of making extensive national concessions to foreigners; they were accustomed to see time smoothed out the acerbities of unfair projects. The traditional method worked well enough until China came out into international life. But when her affairs became interwoven with those of other nations, when pressure was brought to bear by foreign diplomats insisting on concessions which were then enforced by gun-power, the old methods of adjustment could not be relied on. China in many cases was tied up unmercifully, as in the case of Shantung and the concessions to Germany, which could have been resisted.

There has come about within the last two years an organization of public

opinion in China on a national basis,—which is in a fair way to change all this. At the present time the men who manage the public business of China have come to feel back of them the enormous strength of public opinion, which restrains them—for they do not dare to make any concessions that will be disapproved—but which also upholds them in any resistance to unjust demands. That is an entirely new thing in the development of China. Heretofore, public opinion has been purely negative in its action, and the individual has not come forward; now individual leaders appear and public opinion makes positive demands.

At the present time public opinion in China is becoming active, demanding certain things, forbidding others; official action is both strengthened and restrained by this new development. It may truly be said, "the first time in four thousand years." When we consider that, you will see what a treasure it is to us that the people of China who are coming to their own, who are now beginning actively to think about political affairs and to influence the course of their government, cherish within their hearts a feeling of confidence towards the United States; and you will agree with me that it is not a matter of indifference to this nation what is thought of us by the four hundred million who live beyond the Pacific. It is not a matter of indifference to us whether they are to continue an industrious, peaceable nation, aiming at greater approximation to our democratic practices and ideas, or whether they are to be stirred up by foreign aggression into militarism or by foreign intrigue made to misunderstand our national purposes. The good will of the Chinese excuses itself also in a universal desire among the

young people of China to come to America for study and for closer acquaintance with our life and institutions. The young people find many obstacles in their way under our existing regulations. It would seem to be desirable to determine status as a student by the fact that the person in question pursues studies in a recognized institution of learning, and not to make him lose that status if he incidentally does some work in order to partly defray his expenses. Unfortunately, here too, not everything is ideal on our part. Those who have plenty of money of their own, or whose expenses are paid by the Chinese Government, are indeed admitted without difficulty; but the poor, no matter what their ability, no matter even though they may be leaders, encounter unfavorable regulations. France at the present time is making arrangements for taking care of ten thousand Chinese students without means.

The French who thoroughly realize the importance of this matter, have made arrangements by which Chinese students can earn incidentally part of their expenses. Yet these very students will make every effort to borrow money among their relatives in order that they may come to the United

States instead of going to any other country. In China there are no classes. Ability will bring the son of the poorest family into prominent position, and many of these impecunious boys who are seeking an education will be the leaders of future China.

The relations between our country and China (and the relations between our country and Japan, as well) will be very greatly influenced by intelligent sympathy on our part towards the ideals that now animate the youth of the Far East. A distant, platonic, holiday sympathy without understanding will not do much good; but if we realize the enormous transformations that are going on, the difficulties encountered, and all that is at stake, we shall see in it one of the greatest opportunities for helpful coöperation. The imponderabilia of popular feeling and sentiment are very important. They are not so specific as statistics, such as Mr. Morris has cited, or as we could cite with respect to China. But they are after all the forces that mould policies and determine the destinies of nations. In speaking to you about this matter, I hope to awaken in your hearts and minds an interest in that great population beyond the seas that is so deeply interested in us.

AMENDMENT, CALIFORNIA ALIEN LAND LAW, ADOPTED NOVEMBER 2, 1920

AN ACT relating to the rights, powers and disabilities of aliens and of certain companies, associations and corporations with respect to property in this state, providing for escheats in certain cases, prescribing the procedure therein, requiring reports of certain property holdings to facilitate the enforcement of this act, prescribing penalties for violation of the provisions hereof, and repealing all acts or parts of acts inconsistent or in conflict herewith.

The people of the State of California do enact as follows:

SECTION 1. All aliens eligible to citizenship under the laws of the United States may acquire, possess, enjoy, transmit and inherit real property, or any interest therein, in this state, in the same manner and to the same extent as citizens of the United States, except as otherwise provided by the laws of this state.

SECTION 2. All aliens other than those mentioned in section one of this act may acquire, possess, enjoy and transfer real property, or any interest therein, in this state, in the manner and to the extent and

for the purpose prescribed by any treaty now existing between the government of the United States and the nation or country of which such alien is a citizen or subject, and not otherwise.

SECTION 3. Any company, association or corporation organized under the laws of this or any other state or nation, of which a majority of the members are aliens other than those specified in section one of this act, or in which a majority of the issued capital stock is owned by such aliens, may acquire, possess, enjoy and convey real property, or any interest therein, in this state, in the manner and to the extent and for the purposes prescribed by any treaty now existing between the government of the United States and the nation or country of which such members or stockholders are citizens or subjects, and not otherwise. Hereafter all aliens other than those specified in section one hereof may become members of or acquire shares of stock in any company, association or corporation that is or may be authorized to acquire, possess, enjoy or convey agricultural land, in the manner and to the extent and for the purposes prescribed by any treaty now existing between the government of the United States and the nation or country of which such alien is a citizen or subject, and not otherwise.

SECTION 4. Hereafter no alien mentioned in section two hereof and no company, association or corporation mentioned in section three hereof, may be appointed guardian of that portion of the estate of a minor which consists of property which such alien or such company, association or corporation is inhibited from acquiring, possessing, enjoying or transferring by reason of the provisions of this act. The public administrator of the proper county, or any other competent person or corporation, may be appointed guardian of the estate of a minor citizen whose parents are ineligible to appointment under the provisions of this section.

On such notice to the guardian as the court may require, the superior court may remove the guardian of such an estate whenever it appears to the satisfaction of the court:

(a) That the guardian has failed to file the report required by the provisions of section five hereof; or

(b) That the property of the ward has not been or is not being administered with due regard to the primary interest of the ward; or

(c) That facts exist which would make the guardian ineligible to appointment in the first instance; or

(d) That facts establishing any other legal ground for removal exist.

SECTION 5. (a) The term "trustee" as used in this section means any person, company, association or corporation that as guardian, trustee, attorney-in-fact or agent, or in any other capacity has the title, custody or control of property, or some interest therein, belonging to an alien mentioned in section two hereof, or to the minor child of such an alien, if the property is of such a character that such alien is inhibited from acquiring, possessing, enjoying or transferring it.

(b) Annually on or before the thirty-first day of January every such trustee must file in the office of the secretary of state of California and in the office of the county clerk of each county in which any of the property is situated, a verified written report showing:

(1) The property, real or personal, held by him for or on behalf of such an alien or minor;

(2) A statement showing the date when each item of such property came into his possession or control;

(3) An itemized account of all expenditures, investments, rents, issues and profits in respect to the administration and control of such property with particular reference to holdings of corporate stock and leases, cropping contracts and other agreements in respect to land and the handling or sale of products thereof.

(c) Any person, company, association or corporation that violates any provision of this section is guilty of a misdemeanor and shall be punished by a fine not exceeding one thousand dollars or by imprisonment in the county jail not exceeding one year, or by both such fine and imprisonment.

(d) The provisions of this section are

cumulative and are not intended to change the jurisdiction or the rules of practice of courts of justice.

SECTION 6. Whenever it appears to the court in any probate proceeding that by reason of the provisions of this act any heir or devisee can not take real property in this state or membership or shares of stock in a company, association or corporation which, but for said provisions, said heir or devisee would take as such, the court, instead of ordering a distribution of such property to such heir or devisee, shall order a sale of said property to be made in the manner provided by law for probate sales of property and the proceeds of such sale shall be distributed to such heir or devisee in lieu of such property.

SECTION 7. Any real property hereafter acquired in fee in violation of the provisions of this act by any alien mentioned in section two of this act, or by any company, association or corporation mentioned in section three of this act, shall escheat to, and become and remain the property of the State of California. The attorney general or district attorney of the proper county shall institute proceedings to have the escheat of such real property adjudged and enforced in the manner provided by section four hundred seventy-four of the Political Code and title eight, part three of the Code of Civil Procedure. Upon the entry of final judgment in such proceedings, the title to such real property shall pass to the State of California. The provisions of this section and of sections two and three of this act shall not apply to any real property hereafter acquired in the enforcement or in satisfaction of any lien now existing upon, or interest in such property, so long as such real property so acquired shall remain the property of the alien, company, association or corporation acquiring the same in such manner. No alien, company, association, or corporation mentioned in section two or section three hereof shall hold for a longer period than two years the possession of any agricultural land acquired in the enforcement of, or in satisfaction of a mortgage or other lien hereafter made or acquired in good faith to secure a debt.

SECTION 8. Any leasehold or other inter-

est in real property less than the fee, hereafter acquired in violation of the provisions of this act by any alien mentioned in section two of this act, or by any company, association or corporation mentioned in section three of this act, shall escheat to the State of California. The attorney general or district attorney of the proper county shall institute proceedings to have such escheat adjudged and enforced as provided in section seven of this act. In such proceedings the court shall determine and adjudge the value of such leasehold or other interest in such real property, and enter judgment for the state for the amount thereof together with costs. Thereupon the court shall order a sale of the real property covered by such leasehold, or other interest, in the manner provided by section twelve hundred seventy-one of the Code of Civil Procedure. Out of the proceeds arising from such sale, the amount of the judgment rendered for the state shall be paid into the state treasury and the balance shall be deposited with and distributed by the court in accordance with the interest of the parties therein. Any share of stock or the interest of any member in a company, association or corporation hereafter acquired in violation of the provisions of section three of this act shall escheat to the State of California. Such escheat shall be adjudged and enforced in the same manner as provided in this section for the escheat of a leasehold or other interest in real property less than the fee.

SECTION 9. Every transfer of real property, or of an interest therein, though colorable in form, shall be void as to the state and the interest thereby conveyed or sought to be conveyed shall escheat to the state if the property interest involved is of such a character that an alien mentioned in section two hereof is inhibited from acquiring, possessing, enjoying or transferring it, and if the conveyance is made with intent to prevent, evade or avoid escheat as provided for herein.

A *prima facie* presumption that the conveyance is made with such intent shall arise upon proof of any of the following groups of facts:

(a) The taking of the property in the name of a person other than the persons mentioned in section two hereof if the consideration is paid or agreed or understood to be paid by an alien mentioned in section two hereof;

(b) The taking of the property in the name of a company, association or corporation, if the memberships or shares of stock therein held by aliens mentioned in section two hereof, together with the memberships or shares of stock held by others but paid for or agreed or understood to be paid for by such aliens, would amount to a majority of the membership or the issued capital stock of such company, association or corporation;

(c) The execution of a mortgage in favor of an alien mentioned in section two hereof if said mortgagee is given possession, control or management of the property.

The enumeration in this section of certain presumptions shall not be so construed as to preclude other presumptions or inferences that reasonably may be made as to the existence of intent to prevent, evade or avoid escheat as provided for herein.

SECTION 10. If two or more persons conspire to effect a transfer of real property, or of an interest therein, in violation of the provisions hereof, they are punishable by imprisonment in the county jail or state penitentiary not exceeding two years, or by a fine not exceeding five thousand dollars, or both.

SECTION 11. Nothing in this act shall be construed as a limitation upon the power of the state to enact laws with respect to the

acquisition, holding or disposal by aliens of real property in this state.

SECTION 12. All acts and parts of acts inconsistent or in conflict with the provisions hereof are hereby repealed; *provided, that*—

(a) This act shall not affect pending actions or proceedings, but the same may be prosecuted and defended with the same effect as if this act had not been adopted;

(b) No cause of action arising under any law of this state shall be affected by reason of the adoption of this act whether an action or proceeding has been instituted thereon at the time of the taking effect of this act or not and actions may be brought upon such causes in the same manner, under the same terms and conditions, and with the same effect as if this act had not been adopted.

(c) This act in so far as it does not add to, take from or alter an existing law, shall be construed as a continuation thereof.

SECTION 13. The legislature may amend this act in furtherance of its purpose and to facilitate its operation.

SECTION 14. If any section, subsection, sentence, clause or phrase of this act is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this act. The people hereby declare that they would have passed this act, and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more other sections, subsections, sentences, clauses or phrases be declared unconstitutional.

Why California Objects to the Japanese Invasion

By HON. JAMES D. PHELAN

United States Senator from California

THE solution of the Japanese problem, growing out of the California situation, requires prompt action by Congress. It is charged with danger. The people of Japan, as well as the people of the eastern states,

should be informed in a spirit of frankness. There should be no misunderstanding, because misunderstandings breed trouble.

Great numbers of Japanese, men and women, are in California, and are

acquiring large tracts of agricultural land. The state law forbade ownership by aliens ineligible to citizenship, but the Japanese took deeds in the name of their children born on the soil or in the name of the corporations and so circumvented the intent of the law. The initiative law adopted at the recent November elections will, it is hoped, prevent this circumvention, thus making further land acquisition impossible. The Japanese also lease lands and work for a share of the crop, and when thus working for themselves are impossible competitors, and drive the white settlers, whose standards of living are different, from their farms. The white farmer is not free from cupidity when tempted by Japanese to sell out at high prices, and they do sell out and disappear. The state, therefore, is obliged as a simple matter of self-preservation to prevent the Japanese from absorbing the soil, because the future of the white race, American institutions, and western civilization are put in peril. The Japanese do not assimilate with our people and make a homogeneous population, and hence they can not be naturalized and admitted to citizenship. Therefore, the question is principally economic and partly racial. Japan herself excluded Chinese in order to preserve her own people, and that is what California, Australia and Canada are doing. Japanese statesmen must surely, for these reasons, acquit Americans of race prejudice. We are willing to receive diplomats, scholars and travelers from Japan on terms of equality, but we do not want her laborers. We admire their industry and cleverness, but for that very reason, being a masterful people, they are more dangerous. They are not content to work for wages, as do the Chinese, who are excluded,

but are always seeking control of the farm and of the crop.

Immigration and naturalization are domestic questions, and no people can come to the United States except upon our own terms. We must preserve the soil for the Caucasian race. The Japanese, by crowding out our population, produce disorder and Bolshevism among our own people, who properly look to our Government to protect them against this destructive competition. California, by acting in time, before the evil becomes even greater, expects to prevent conflict and to maintain good relations with the Japanese Government.

The American Government rests upon the free choice of the people, and a large majority of the people are engaged in farming pursuits. They form the backbone of every country—the repository of morals, patriotism and thrift, and in time of their country's danger spring to its defense. They represent its prosperity in peace and its security in war. The soil can not be taken from them. Their standards of living can not suffer from deterioration. Their presence is essential to the life of the state. I therefore urge the Japanese Government and people to put themselves in our place and to acquit us of any other purpose in the exclusion of oriental immigration than the preservation of our national life and the happiness and prosperity of men and women who founded the Republic, who have developed its resources, and who occupy the land. It is theirs in trust for their posterity.

The people of Asia have a destiny of their own. We shall aid them by instruction and example, but we can not suffer them to overwhelm the civilization which has been established by pioneers and patriots and which we are dutifully bound to preserve.

California—White or Yellow?

By MARSHALL DE MOTTE

Chairman, State Board of Control, Sacramento, California

UNDoubtedly, the principle which, more than anything else, has held our United States together has been the parity of states regardless of size, wealth or geographical position. This principle has been kept before the eyes of our people at all times by means of the starry field in our national flag, and as we gaze thereon we do not realize that star No. 1 stands for Delaware, the smallest state, and star No. 48 for Arizona, the youngest state.

California was made a white man's state by the Constitution of 1849. Article 2, section 1, dealing with citizenship, begins with these words: "Every white male citizen," and the Constitution of 1879 reiterated this, strengthening it by specially mentioning Mongolians as ineligible to citizenship.

The question of the mixture of Orientals, particularly Japanese, with whites, while it has its economic side, is nevertheless a race problem in the last analysis. Not of an inferior race seeking to mix with a superior race, for at no time have we cast reflection on the Chinese as to their dependability, honesty and shrewdness in business nor on the Japanese as to their thrift, industry and finesse in diplomacy. We respect both of these members of the Mongolian race but the fact can not be dodged that they either must not come or if permitted to come must not be allowed to gain a foothold that will eventually enable them to control a single state of the nation as they virtually control Hawaii today.

At an early date, Chinese coolies were brought into California for work in mines and on railroad construction.

While work was plenty there was little complaint of this practice, but when in the hard times of the late seventies white men, walking the streets facing starvation for themselves and their families, saw Chinese at work, even though at small wages, they naturally rebelled and a period of rioting followed. Many Chinese voluntarily returned to China. Some were forced to go and the Geary exclusion act passed by Congress in 1882 was the conclusion of this—California's first race problem. She had to settle it and she did so in her own way.

During the period of prosperity through which we have just been passing, the presence of Orientals has not been a serious menace economically; and if the occupancy of land, the production of crops and the increase of population were the whole duty of California, doubtless a race question would not rise at this time. But the duty of California is to keep her population on a par with the peoples of other states and not to mix with our citizens races of ineligible. If a period of depression comes and the white people of this state find an element in their midst of another race, of different home standards, alien under the law and openly loyal to another country, if not disloyal to ours, a people sapping our vital strength and draining our finances when our people have need, is it to be expected that California shall again take the settlement of the question in her own hands as she did in the seventies? Will it be right for California to conclude, if the Federal Government does not look after her interests now, that it is to be expected that we proceed to the settlement of

any new race problem just as we settled the one in the seventies?

Our laws separate the Mongolians from the whites, not simply in the constitution as above quoted, but by statutes which for many years have forbidden the intermarriage of Mongolians and whites. One prominent Japanese has recently argued for intermarriage between whites and Japanese on the same grounds that he would import potato seed from other localities to strengthen local stock, placing the question of race assimilation on no higher ground than that of plant breeding. There seems to be an underground inclination on the part of some of the advocates of freer relationship with the Japanese in this country to allow intermarriage. In the November number of *The World Tomorrow*, Mr. Sidney Gulick, an eminent authority on the Japanese question and supporter of the Japanese viewpoint, expresses himself as follows about biological assimilation:

Unfortunately, most mixed marriages of Americans and Asiatics are under such social, economic, and ethical conditions as to account for low standards of family life. Where the marriages have been on a high plane, the results in terms of family life have on the whole been satisfactory.

It is difficult to analyze Mr. Gulick's language and apply his conclusion to anything but a belief that any Japanese coming under such influences as exist in America will rise to a standard he characterizes as "on a high plane," for elsewhere in the same interview he uses this language of what he calls psychological assimilation:

Not only their clothing and housing and living standards will be American, but so also will be their conceptions of God and man, of parents and children, of morals and religion, of the state and the citizen. From my residence in Japan and from my experience with immigrant peoples, I should say

the Japanese children of the second generation (who present the real test) were fully as assimilable as the children of most of the European races.

There can be but one conclusion from these statements and that is that Japanese children after a time, under the influence of America, will rise to the "high plane" and passing through the period of psychological assimilation they come to a condition fit for biological assimilation where, "When the marriages have been on a high plane, the result in terms of family life have on the whole been satisfactory." We can not think in such terms for future America.

It is interesting to note that these mild suggestions are but straws indicating a direct current of ambition on the part of the Japanese to win by intermarriage if they are denied their present plan to overcome by occupancy. The following is a quotation from *Shin Sekai* (The New World), a San Francisco Japanese language newspaper, October, 1919:

When we of the Yamoto race rise with a mighty resolve, their opposition will be as futile as an attempt to sweep the sea with a broom.

Even if photograph marriages should be prohibited, we can not be stopped from leaving our descendants on the American continent. Even if not a single Japanese woman comes, it is not possible to prevent the seed of our great Yamoto race from being sown on the American continent by marriage with Americans, with French, with Indians and with Negroes; especially since there are already 100,000 Japanese here and 5,000 children are born annually.

The day will come when the real strength of the Japanese will make a clean sweep of all laws.

Referring again to the last quotation from Mr. Gulick, let us note the expression, "The Japanese children of the second generation (who present the real test) were fully as assimilable

as the children of most of the European races." Of course this is as to psychological assimilation but these children are born of alien parents ineligible to citizenship and who to the end hold their allegiance to a foreign imperial government. These parents acknowledge not simply this allegiance but they have brought their children up under the tradition of this foreign fidelity and in the consciousness that according to the laws of Japan the children of a Japanese father are Japanese and at any time subject to the laws of Japan if within her reach. It is a fact that if a young man twenty-five years of age with a Japanese father, but born and educated in the United States, a voter who has exercised his franchise, should be in Japan twenty-four hours, he could be put into the Japanese army in spite of his constitutional citizenship in America. And it is this Mongolian child of the second generation with a dual citizenship who is held out as a fit mate for an American in marriage.

Let us go into this interesting point of dual citizenship a little further. If a father is by birth a citizen of Japan so are his children and his children's children, endlessly. A Japanese born in this country married to a white woman produces a progeny not only half breed as to race but half breed as to loyalty. Though a citizen of America by our constitution yet the government of Japan, because of the blood of the father, claims a right over his child under their law which reads:

A child is a Japanese if his or her father is a Japanese at the time of his or her birth.¹

This is not all. T. Miuaoka, formerly counsellor of the Japanese Embassy in the United States, expresses himself in the following language:

Under the conscription laws of the empire a boy of seventeen is already a soldier

¹ *Civil Code of Japan*, V. 3, Art. 66.

in the Japanese army although his time of service under "colors" does not commence until he is twenty. A male Japanese from the age of seventeen is a part of the army until he completes his fortieth year.

Any pretense on the part of the Japanese that they are not receiving fair play at the hands of America should be viewed in the light of the impossibility of a Japanese born in this country ever becoming a part of the homogeneous citizenry of America.

To counteract the effect of the American schools, the Japanese, wherever sufficiently numerous, conduct supplementary schools in the Japanese language. These are held after regular school hours and taught in the main by Buddhist priests, evidently linking up the Japanese language with their religion which includes the worship of their national ruler. What nation has ever heretofore attempted such a course with her absent people? What nation has ever presumed to request for her people the freedom of our country while holding a perpetual grasp on her absent citizens and their progeny? Under existing conditions and in the face of the experience of California with the Japanese, we feel it right for us to take our position toward these who are incapable of citizenship by our federal laws; incapable of owning land by our state laws, their children incapable by education of true loyalty to our country and incapable of losing their citizenship in their fatherland by foreign laws from which we can not free them.

The plea that Japan needs space for expansion has nothing to do with us or our attitude toward them. However, it is openly advertised by Japanese themselves that there are over five million acres in Japanese territory available for settlement. It is said they have never been successful at colonization. They have never tried

to reclaim, colonize or settle the Island of Formosa, one of their own islands, and there are other parts of Asia available should they need territory nearer home. They seem, however, to have selected the west coast of America as

Japanese at work at Rocky Ford, Colorado, also, and we are told that fully 85 per cent of the Rocky Ford mellons are raised by Japanese and that Colorado has a school problem due to complaints of white citizens against



their choice of the whole globe. California has attracted most of their attention but recently Arizona and Texas have raised a protest because the eyes of the Japanese have been turned toward their fair fields. There are

the presence of Mongolian children in the schoolroom. There has been an apparent try-out of the whole country and a final settlement on the west as the best field from the standpoint of the Japanese Government.

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This conclusion received open acknowledgment in the fact that Japanese Consuls in California took part in the publicity circulated during the recent election in California when an anti-alien land law was passed overwhelmingly. It has also been charged that the dozen prominent citizens of the United States who visited Japan last year did so at the expense of the Japanese who saw to it that only such scenes as might delight the eye were shown to these gentlemen who have given us fair tales of their trip and of the Japanese people.

In the recent publication entitled *California and the Oriental*¹ issued by the State Board of Control of California, there is shown the fact that fully two-thirds of the increase in Japanese population in continental United States in the last decade has fallen on California. The birth-rate statistics of California show that in 1910, 96.13 per cent of the children born were white, while in 1919 only 90.86 per cent were white or as to Japanese only, in 1910 2.24 per cent of children born were Japanese, and in 1919 7.82 per cent were Japanese. In 1910, to 1,000 white women in California there were born 99 children. In 1919, to 1,000 Japanese women there were born 288 children, which is about an average showing of the difference in fecundity between whites and Mongolians. There are about three times as many Japanese men as women in California. It must be apparent why we oppose the further bringing of Japanese women to our state.

Of the 3,893,500 acres of land under irrigation in California, the Orientals occupy 623,752 acres, or about one-

sixth. The total farm crops of California for 1919 amounted to \$507,811,881, but this included grain and other products which the Orientals do not raise. Reducing the total to the groups of crops in which the Orientals are active, we have \$187,000,000 as the yield for 1919. Of this the Japanese alone produced \$67,145,750 or about one-third. In 1915 the Japanese were third in nationality among the fishermen on the coast of California. In 1919 they stood first and represent as a nation one-third of the men so employed. And remember, this puts the coast-wise fishing trade with its knowledge of shore line, harbors and defences in the hands of men who are aliens and who might become enemies.

May we transfer our problem to other parts of the country? What would be the effect if one-sixth of the best farming land in Iowa or Ohio had been taken over inside of twenty years by unassimilable aliens? Suppose one-third of the fruit and garden truck industry of New York, Georgia or Florida, or all of the potatoes raised in Maine, had passed from the hands of citizens into the hands of people who can not become citizens. The fishing fleets of New England were formerly the schools for American seamen. Suppose one-third of these fishermen were suddenly found to be aliens who could not serve our colors in case of need. Suppose the great fishing fleets of England and France had been alien during the war or that ours became alien and a war began. Suppose one-sixth of the editors or teachers were such aliens, or suppose that one-sixth of the preachers were aliens bowing down to another idea of God and teaching a religion linking Deity with a foreign ruler as twin images of adoration. Just suppose.

Much is being said in the discussion of the Japanese question about the

¹*California and the Oriental*, by the State Board of Control of California, 230 pages with tables, statistics, graphs and maps, will be sent on request. State Board of Control, Sacramento, California.

brotherhood of man. Brotherhood implies one Father and can not exist between peoples holding entirely different ideas as to the Fatherhood of God and man's responsibility to man. If we were going to Japan they might ask us to live up to their Golden Rule, but they seek to come here where they can not be assimilated, so we say to them, "You would not want us to come to you to try to make over your country by a flood of whites; therefore, do not come to us, for we will not have our country changed by a flood of yellow, for this is a white man's country." We can not take in a race which can not come here with ties all cut from foreign relationship; whose children are not free to ever become children of America as the children of American white citizens are; a race of people

which is yellow ethnologically, who, if married to whites, will have half-breed children regardless of the "plane" they occupy; a race which is not servile in character and can not live side by side with the whites without showing aggression such as we have witnessed in California.

It is utterly unthinkable that America or an American state should be other than white. Kipling did not say "East is East" of the United States, but if the star No. 31 in Old Glory, California's star, becomes yellow, West may become East. California has been loyal at all times to a flag that has honored her with a star of her own, so Californians, to a citizen, will see that the star of her glory shall not grow dim or yellow.

The Japanese Invasion

By JOHN S. CHAMBERS

Controller, State of California, Sacramento, California

CALIFORNIA, on November 2 last, went on record at the polls as overwhelmingly in favor of the anti-alien land measure submitted to the electors under the initiative law of this state. Briefly, this action means the strengthening of the existing anti-alien land law, which prohibits ownership, by also prohibiting the leasing of land by aliens not eligible to citizenship. Heretofore leases were permissible for a period not exceeding three years.

In addition, it is sought to stop those loopholes in the first law which enabled elder alien Japanese, ostensibly acting for Japanese children born here and therefore citizens, to evade the statutes by purchasing land in the name of such children, while in reality working the land, exercising dominion over it and retaining the profits. Likewise, it will now be more difficult, if not

impossible, to evade our corporation land laws through the use by Japanese of white men as dummy directors.

Important as the adoption of this measure is for the protection of the state of California, it also is of great importance otherwise, because of the effect this action, representing the emphatic thought of the people of this commonwealth, should have on our fellow citizens beyond the Rockies. Such a declaration by the people of a sovereign state must, I think, call for the earnest attention of the people of the country at large.

California has gone as far as she could go under the federal and state constitutions and the American-Japanese treaty. If she could have gone further she would have done so. The next development California seeks to bring about is the stoppage of immi-

gration from Japan through action by Congress; and the third step, the amending of the Constitution of the United States to the effect that children born in this country of parents ineligible to citizenship themselves shall be ineligible to citizenship.

California appreciates that before these things can be brought to pass sentiment in the East must be created in her favor. She fully believes that with the facts before them the people of this nation as a whole will cordially endorse her attitude. She knows that at present entire sympathy does not exist for her, although she believes that in recent months there has been a change in her favor. She realizes that a hard task presents itself and is prepared to meet it.

Comparatively little bitterness of feeling exists in California on the part of Californians toward the Japanese. There are, of course, a few white men and women who talk loudly, angrily and unwisely. Among the Japanese themselves there has been little evidence of hatred, although, and not unnaturally, they do show resentment. So far the controversy has proceeded with remarkable restraint on both sides. The white people of California are determined. If our fellow-citizens of the East and the Government at Washington show a sympathetic attitude, there should be no break in the rather tranquil situation that exists here. If this coöperation is denied and California feels that she is to be left to shift for herself, then bitterness and strife will develop, and to an extent likely to embroil America and Japan.

Just now, as this is written, the Japanese are threatening to resort to the courts along two lines: first, to have determined their eligibility to American citizenship on racial grounds; and, second (should the former fail), to

have decided the constitutionality of the alien land measure just approved by the people of California.

I do not believe either suit will be brought, at least with any real hope of winning. The present talk is meant not only to "save the faces" of the Japanese here and influence opinion across the Pacific, but also for the effect it may have on Washington. The Japanese are strategists, and persistent. If they lose at one point they turn to another, always seeking to make the best of a situation, good or bad.

So far as the racial issue is concerned, I am informed that such a suit has lain dormant before the Supreme Court of the United States for years, and that the Japanese Government itself has not encouraged action. As to the constitutionality of the land measure, it was passed upon by several of California's ablest attorneys, and it is not a complete secret that more than one of Japan's diplomats and legal advisers have pronounced it suit-proof.

There is no need of excitement over Japanese threats. It is natural that they should feel as their talk indicates, to say nothing of the obvious purpose to influence opinion, and, if possible, to strike a bargain. California has won, and she feels happy and secure in the victory, limited though it is.

There has been more or less talk of superiority and inferiority as between the races, but not a great deal. The issue is a fundamental difference, an unbridgeable difference; not one of superiority or inferiority. Granting equality, the standards of the races are almost as opposite as the poles, and there is no possibility of a common trend ever being evolved. Assimilation is impossible. True, there are a few marriages here and there, but they are the exceptions that prove the rule.

Many of our states by law forbid such marriages. On this coast, and more particularly in the Hawaiian Islands, the Japanese themselves show little disposition to intermarry with the whites; but, on the contrary, a strong desire to marry among themselves. Their racial instinct is very decidedly developed. The two peoples run along different lines physically, morally, socially, economically and politically. As they differ in color so do they in tradition, habits and aspirations. Obviously, therefore, it is unwise for the two races to meet in numbers. If they should, the clash is inevitable. The situation in California is bad enough now; it must not be permitted to become worse.

What is the present situation in California? Many people who do not understand or who do not want to understand ask why all this agitation over 100,000 Japanese in a total California population of over 3,000,000, or the ownership or control by these people of half a million acres or so in a state that has 99,617,280 acres, and of which area 28,828,951 acres are in farms.

Watch the gopher at work. He starts to bore into a levee, and as he progresses he is joined by more of his kind; then, in due time, the other side of the embankment is reached, and a little stream of water passes through. As the dirt crumbles, a flow increases and unless promptly checked the bore soon becomes a wide gap with the water rushing through and overflowing the land. That is the flood that means loss, and perhaps eventual disaster. That is exactly what is happening in the state of California today through the Japanese policy of peaceful penetration, of conquest by colonization, or, as Yoshi Kuno, Japanese Professor in the University of California, describes it, the "bloodless struggle." As the

water flows in a stream, so do the Japanese move in bodies, not scattering widely or as individuals, but settling in strong groups. The result, in time, is the dispossession of the whites in such areas.

I do not compare the Japanese to the gopher to give gratuitous offense, but because to my mind the illustration really portrays the situation here; absorption by seepage, so to speak. I frankly admit the intelligence, the industry and the thrift of the Japanese, the wonderful strides made by Japan since Peary's time and her proud position today as one of the great nations of the world. But these very facts, because of the fundamental difference between the two races, are what make the situation so alarming today. The Chinese and the Hindoo may have intelligence, may have industry, but they are not aggressive, they do not seek to dominate, nor are they backed by powerful nations intent upon the domination of the Pacific Ocean, if not of the world.

What has happened in the Hawaiian Islands? Out of a total population of about 266,000, all races, it is estimated that 112,000 are Japanese. Very recently I had the pleasure of meeting the principal of one of the schools of Honolulu, and he told me that of the 40,000 school children in the Islands, 20,000 were Japanese; that all had been registered at the Japanese Consulate and that all were claimed by Japan as citizens of that nation. The Japanese in Hawaii today would hold political control if the Islands had statehood. The only way in which this nation can retain ascendancy is by keeping the Islands under the control of Congress, with an appointed commissioner or some such official in charge.

Surely we want no such situation to develop in the state of California.

And yet we are headed directly and obviously in that direction today. According to the official report of the State Board of Control of California the Japanese now own or control in this state 458,056 acres. My personal opinion is that the acreage owned and controlled by them far exceeds this figure. Just as they evade census returns so do they cover up their land holdings. But on the official showing the acreage of land owned by the Japanese has increased 412.9 per cent in the past ten years.

Practically all of the 100,000 Japanese (and, incidentally, I wish to say that Professor Kuno, despite statements by the Japanese at large, admits there are fully this many in California) reside in twenty-nine of the richest counties in the state of California, and most of them in eighteen counties, with 75 per cent of the births registered in seven counties. This is conquest by colonization. They occupy from 50 to 75 per cent of the irrigated area in many of these counties, and have almost a monopoly on the production of small fruits and vegetables; while they have made serious inroads along such lines as furniture, hardware and clothing and almost dominate the fishing industry of the state of California, particularly in the southern waters.

Few as their numbers may appear, it is the manner in which they are located and operate that breathes the danger. It is not "a weak solution but the concentrated essence" that threatens California.

There are fewer Japanese in California working for white people than there are white people working for Japanese, according to the official report of the State Board of Control. The Japanese are of no service to the small farmer. At first they are willing to work for wages, then for a portion

of the crop, then under a lease and finally by hook or crook, if possible, they secure ownership.

Of the 100,000 Japanese in California, 50,000 represent the increase since the "Gentlemen's Agreement" was entered into by the American and Japanese governments. Incidentally, I wish to point out the criminal unwisdom of that agreement whereby we permitted Japan to be the sole judge of what immigration should be admitted to the United States from that country, leaving ourselves without a voice. Before the agreement, the Japanese population was not quite 30,000, and the births, less deaths, up to last year were 20,000, making 50,000. It is obvious, therefore, that the other 50,000, or the bulk thereof, must have come in under the "Gentlemen's Agreement," and, as the large majority of these arrivals were laborers, in violation of that agreement; or else were smuggled across our borders or landed along our coast line, also a clear violation of the law. Nor is this the end of the violations. The "picture brides" brought here primarily so that the Japanese population of this state might be increased, in large majority of instances worked in the fields as common laborers, frequently with babies on their backs, and thus broke in fact and in letter the so-called "Gentlemen's Agreement."

In ten years the Japanese births in California have increased from one in forty-four to one in thirteen, with only one Japanese woman to four Japanese men in population, while there is one white woman to one white man here. Their rate of birth is between three and four times that of our own race. As Professor Kuno says, the Japanese are a "marvelously prolific race." At this rate, in ten years there will be 150,000 Japanese born here, and by 1949 they will outnumber the white

people. Ninety per cent of the males range from fourteen to forty-four years of age, and, aside from the whites, their birth-rate is six times that of all the other races in California combined.

So much as to land holdings and population. Not only are these people claimed as citizens of Japan, not only is their first allegiance to Japan and not to America, but they have, not only in the Islands but here in the state of California, their own language schools and their Buddhist temples. The children, even where they attend the public schools of the state, are compelled by their parents also to attend the Japanese schools where they are taught the traditions, the history and the purposes of the mother country. In their churches they are taught the religion of Japan, that the Mikado, called by them "Tenno," is the "bodily representation on earth of the King of Heaven"; that he is above evil, can do no wrong and must be worshipped as a God. Our missionaries here and across the Pacific make occasional converts, some of whom are sincere at the time and some of whom, perhaps, remain so unto death. But as these people, in the main, stay apart socially, industrially, politically, so do they religiously.

While it is true that this isolation is encouraged by the white people because close association is repugnant, it also is true that the Japanese prefer this isolation and that it is a part of the policy of the Government of Japan and of the Japanese now in the state of California. Professor Kuno of the University of California charges, with no circumlocution, that the Japanese in this state have a government within a government, that they hold their own legislature, with bodies corresponding to our State Assembly and our State Senate; that the numerous local Japa-

nese organizations are tied to a few central Japanese associations, and these, in turn, are tied to the Japanese consuls at San Francisco and Los Angeles, who, in turn, are tied to the Japanese Government itself. Dues are collected from all members, and the enormous sums thus obtained are used largely for propaganda purposes and, as Kuno points out, among other things, for the undermining of some of our educational institutions through the "purchase of unprincipled American professors."

With the knowledge gained by Californians from personal observation of and contact with the Japanese, a clear understanding of their methods of living, their colonization plans, their dual citizenship and religious views, the teachings in their native schools, plus the astonishing assertions and charges by so high-grade a man as Professor Kuno, should the question longer be asked as to why we of this state are alarmed over the presence in our midst of 100,000 Japanese and their concentrated occupation of half a million acres? We have seen the results of the "bloodless struggle," of peaceful penetration; we know the districts where once our white citizens resided that now are peopled by Japanese; we know of our public schools where the Japanese children predominate and we know through what we see, hear and feel, and through such statements as Professor Kuno has made, the purpose of the Government of Japan and the purpose of the Japanese in our midst.

I wish to emphasize the fact that we of California are not acting in a spirit of hatred, vindictiveness or retaliation. We are actuated by the instinct of self-preservation. We see the danger that threatens not only California and the Pacific Coast, but which may involve our country as a whole. For

Japan and the Japanese on their proper side of the Pacific we have only good wishes; on this side, we can not feel so because we know that what they would consider their good would mean our undoing.

We are not unmindful of the situation of Japan as to area and population; in fact, it is our realization of this situation that emphasizes the gravity of the issue. In addition to the imperialistic designs of the militaristic group that controls Japan stands forth the great economic pressure on that country for expansion.

Japan proper has an area of about 140,000 square miles, and a population estimated at 65,000,000; the United States, an area of 3,026,788 square miles and a population of 105,000,000; California, an area of 158,000 square miles and a population of about 3,400,000. The percentages of population as to area tell the story.

Japan must expand, as one of her editors has declared, or smother. This side of the Pacific is far more inviting than the other, to say nothing of the fact that she has already seized every available opening.

Japan now dominates the Orient, and by force. She seeks the eventual domination of the American side through her policy of peaceful penetration, the "bloodless struggle" of conquest by colonization. Her purpose is obvious.

In the face of such a situation there can be but one policy for California and, or should be at least, one for America. Even if it were true that Japan permitted aliens to own and farm land in that country, as is claimed, and it is not true; even if it were true that the Japanese were the pioneers and upbuilders of California, as is claimed, and it is not true, such assertions or arguments are beside the mark. We freely grant Japan the

right to enact such laws as she pleases for the government and development of Japan, but we deny that because she may legislate along this line or that line, that America must follow suit. It is a question of sovereignty and of self-determination; not one of duplication or of tit for tat.

Japan's assertions as to the privileges granted foreigners are in most cases either half-truths or false; but even if true it would be a case of extending little of real value for something of great value, of proffering a shadow for a substance, of driving a keen and not too honest a bargain. How many Americans desire to reside in Japan, to engage in business there, to farm there? That is not the real question, of course, although the trend of Japanese argument in this state was largely on the theory of a so-called fair exchange. The issue is our right to conduct our own affairs in our own way, to say who shall live among us and who shall not; to be the judges of what is best for ourselves, our children and their children, for our state and our country.

In the courtyard of one of California's most famous hotels there stands the life-sized statue of an Indian, leaning slightly forward, his right hand shading his eyes, and underneath him, cut into the solid granite, these words: "Where there is no vision the people perish." We of California see clearly today; the pity of it is that we did not see more clearly twenty years ago, or even ten years ago.

The stoppage of immigration and the refusal of citizenship to children born here of alien parents ineligible to citizenship, in addition to the alien land law just approved, will be a tremendous aid. It will mean the salvation not only of California but also of this coast. There yet remains a great problem, however, the problem

of 100,000 Japanese in this state and the 150,000 Japanese in the country at large. As the population of this marvelously prolific race grows and grows, what is to be the outcome? Their children born here are citizens, and their children will be citizens. There are 30,000 native sons and daughters in

California today. While the evil may be held down, while it may be minimized, it has gone too far to be eradicated. We are face to face with one of America's greatest problems, and it calls for the highest grade of citizenship that the issue may be met well and wisely.

Japanese in the Melting-Pot: Can They Assimilate and Make Good Citizens?

By V. S. McCLATCHY

Publisher, *Sacramento Bee*, Sacramento, Cal.

THERE are three principal elements in the menace threatened by Japanese immigration to this country. They are:

1. The non-assimilability of the Japanese race; the practical impossibility of making out of such material valuable and loyal American citizens.

2. Their unusually large birth-rate per thousand population, already shown in California to be three times that of the whites, notwithstanding that the estimated proportion of adult females to males among the Japanese is only 1 to 4, while among the whites it is, say, 1 to 1.

3. The great advantages which they possess in economic competition, partly due to racial characteristics, and partly to standards of living, organization, direction and aid from their government. These advantages make it hopeless for American whites to compete with them.

It should be evident that we can not encourage or permit in our midst the development of an alien element possessing these characteristics without inviting certain disaster to our institutions and to the nation itself. The evidence on each of these points is apparently incontrovertible.

As to non-assimilability, the first element mentioned in the Japanese

menace, there are three main reasons why it is useless to attempt the making of good American citizens out of Japanese material, save of course in exceptional individual instances. The Japanese can not, may not and will not provide desirable material for our citizenship.

1. The Japanese *can not* assimilate and make good citizens because of their racial characteristics, heredity and religion.

2. The Japanese *may not* assimilate and make good citizens because their Government claims all Japanese, no matter where born, as its citizens.

3. The Japanese *will not* assimilate and make good citizens. In the mass, with opportunity offered, and even when born here, they have shown no disposition to do so, but, on the contrary, pronounced antagonism.

There can be no effective assimilation of Japanese without intermarriage. It is perhaps not desirable for the good of either race that there should be intermarriage between whites and Japanese. The laws of some states forbid such marriages, but even where such marriages are permitted and encouraged, the Japanese themselves will not take advantage thereof. That is best demonstrated in Hawaii, where

there is a great commingling of races; but the Japanese, comprising nearly half of the entire population of the Territory, and steadily increasing in number, maintain in wonderful degree their racial purity. With a population of 112,000 or more the Japanese in Hawaii in five years have contracted marriages with other races, according to the report made this year by the Survey Commission—at the request of the Commissioner of Education, at Washington, Bulletin No. 16, 1920—as follows: Thirty-two Japanese men and four women were married to Hawaiians, a few Japanese men to Portuguese women, one Japanese man to an American woman and a few Japanese women to Chinese and Koreans.

The Japanese hold that their Mikado is the one living God to whom they owe their very existence, and therefore all obedience. It is not possible to make of an individual in whom that belief is deeply and firmly grounded an American citizen who can be relied upon in a crisis. This worship of the Mikado (Mikadoism, or Shintoism) is a part of the education of each child in Japan, and school children are by government decree forced to worship at the Shinto shrines.

Buddhism, which is tolerated in Japan, has Shintoism grafted onto it. Baron Goto, a prominent Japanese statesman, at a gathering of Foreign Board Mission Secretaries, at New York, in June, 1919, said he was almost persuaded to embrace Christianity; that with slight modifications he could do so.

It is upon such suggestions as this American missionaries hang their hopes that, by placating the Japanese in various ways, and more particularly as to their demands for free immigration and citizenship privileges in the United States, the evangelization of the Japanese, both in Japan and in this coun-

try, will be made very much easier through Japanese Government suggestion or influence.

The modification necessary or desirable in Christianity before Baron Goto would embrace it is probably a modification similar to that which has been made in Buddhism; that is to say, the incorporation therein of Mikadoism, or Shintoism, which recognizes the god character of the Mikado, and insures thereby the loyalty of the individual Japanese to the Japanese Empire, through the Mikado.

Professor Kunitake Kume, in *Fifty Years of New Japan*, the English version of which was revised and authorized for publication by Marquis Shigenobu Okuma, "the grand old man of Japan," said: "He (the Mikado) is regarded as a living Kami (God), loved and revered by the nation above all things on earth, and himself loving and protecting the nation, who are deemed sons of Kami Nagara, and are entrusted to his care by the Kami. This mutual understanding obtains between every individual Japanese and the Emperor."

In the *Japan Advertiser* of May 9, 1919, there appeared a translation of an editorial in the *Niroku Shimbun* of Tokio, from which the following quotation is made:

The Imperial Family of Japan is as worthy of respect as is God. The Imperial Family of Japan is the parent not only of her sixty millions, but of all mankind on earth. In the eyes of the Imperial Family all races are one and the same. It is above all racial considerations. All human disputes therefore may be settled in accordance with its immaculate justice. The League of Nations, proposed to save mankind from the horrors of war, can only attain its real object by placing the Imperial Family of Japan at its head, for, to attain its object, the League must have a strong punitive force of super-national and super-racial character, and this force can only be found in the Imperial Family of Japan.

From a writer long resident in Japan, and fully conversant with its language, its religion and its people, is quoted the following statement on this matter: "Mikadoism, or Emperor worship, is the sheet anchor of patriotic fervor in Japan—the soul of the body politic. The vast majority of the people have no other religion. It is not a relic of bygone days, but the very heart of present-day Japan."

The plea of Sidney Gulick and a number of his Christian friends that we make citizens of the Japanese and then trust to making good citizens of them by Christianizing them, advocates an experiment dangerous in the extreme, doubtful even as to a superficial change in religion, and certain to end in disaster.

The inherent incapacity of the Japanese for assimilation, their religious belief and ideals, bred in them for generations and taught to them the world over, which foreign birth and foreign residence do not modify, create a permanent and insurmountable barrier between them and that real American citizenship which would be of value, and not a grave menace, to this nation. They can not be transmuted into good American citizens.

JAPAN OPPOSES EXPATRIATION OF HER CITIZENS

The second point made by me against the possibility of making American citizens out of Japanese is based upon my statement that Japan does not permit it. We come now to the curious and inconsistent policy of our Government as to dual citizenship, the full viciousness of which is most apparent in the case of the Japanese. We recognize as an American citizen and extend all rights and privileges as such to any one born under the American flag, including, of course, the Japanese. Japan, on the other hand, rigidly in-

sists that every Japanese, no matter where his parents were born, and no matter what nation may have conferred citizenship on him, with or without his request, is a Japanese citizen, and must perform all the obligations as such.

Every Japanese born here, even if his forbears for generations were born here, but had not been permitted to expatriate, is subject to orders from Japan; is kept track of through the Japanese Consulate and other organizations, and is subject to call for military duty. Authorities on international law agree that, since the United States confers its citizenship on the Japanese born here, unasked and with full knowledge of Japan's claims, we must, in the event of war, recognize those Japanese as the citizens of Japan.

We are thus conferring upon the Japanese born here all the rights and privileges of citizenship, without any of the obligations; and we are certainly breeding in our midst a class of American citizens whose hand, we know in advance, must be against us in possible case of war.

Japan not only claims as her citizens all Japanese born on American soil, but she also takes great care that they grow up really as Japanese citizens, with all the ideals and loyalty of the race, untouched by the notions prevalent in this country, which would weaken that loyalty.

The Japanese children born under the American flag are compelled to attend Japanese schools, usually after the public school hours, where they are taught the language, the ideals and the religion of Japan, with its basis of Mikado worship. Here they are taught by Japanese teachers, usually Buddhist priests, who frequently speak no English, and who almost invariably know nothing of American citizenship. The text-books used are the Mombusho

series, issued under the authority of the Department of Education at Tokio. These schools are located wherever there are Japanese communities, and teachers in the American public schools testify that the Japanese children frequently are studying their Japanese lessons in their public school hours.

In Hawaii, this system of Japanese schools and its effect in preventing any chance of inculcating the principles of American citizenship in the Japanese upon whom we confer such citizenship, caused such wide-spread comment that the Hawaiian Legislature in 1919 attempted to pass a law providing that teachers in foreign language schools must know sufficient English and enough American history and civics to ground the pupils in the principles of American citizenship. That bill was defeated on the demand and through the influence of the Japanese who said its effect would be to destroy their schools.

Now, the survey commission appointed by the Commissioner of Education of the United States, reports in Bulletin No. 16 of 1920, that these Hawaiian-Japanese schools, if not anti-American, are at least not pro-American, and recommends that all foreign language schools in the Hawaiian Islands should be abolished, except for foreign children who can never become American citizens.

NOT DISPOSED TO BECOME REAL AMERICANS

It has been shown already why the Japanese *can not* make good citizens, because of their religion and heredity and non-assimilability; it has been shown also why they *may not* make good citizens, because the laws of Japan, efficiently and rigorously administered in the United States, as well as in Japan, do not permit them; it is equally true that they *will not* make

good citizens, and that the evidence of the acts of those who have resided under the American Flag for many years is conclusive on this point.

In Hawaii, where their numbers make them independent, and where they are now in a position to practically control the Territory, the Japanese form a separate, alien community, observing the laws, customs and the ideals of Japan; using the Japanese language, both in their business and in their schools, and bringing up their children to be not American but Japanese citizens, with all that loyalty to the Mikado which is a part of the Japanese religion.

The statement made as to Japanese policy in Hawaii is equally true of the Japanese in California, though, because of differences in conditions, the evidence has not forced itself as yet so strongly on public attention. The Japanese schools are found in every Japanese community in California where there are enough children to support them.

The Japanese, however, are not content to depend upon education of their American-born children in this country in order to make them loyal subjects of the Mikado. In the report of the Japanese Association of America, concerning its California census, as quoted by the State Board of Control, appears the statement that there are in Japan at this time about 5,000 California-born Japanese. That statement carries little significance to most people. It means, however, that there are at this time 5,000 of the Japanese born in California, that is to say, 20 per cent of California's Japanese minors, upon whom the United States conferred citizenship, who are now back in Japan being thoroughly instructed in the religion and ideals of Japan; so that when they return here they may serve, not as American citi-

zens, but as loyal subjects of the Mikado, to do his will and serve his interests.

The Japanese writer, C. Kondo, Chief Secretary of the Central Japanese Association of Southern California, in a very able article published in *Nichi Bei* of January 8 and 9 of this year, frankly acknowledges that the Japanese of California show no disposition to Americanize themselves, and that to this fact largely is due the antagonism which they have created. He warns them that this antagonism will increase rather than disappear, and suggests that they should move to the southern states, where their characteristics are as yet unknown. He adds, however, that if they pursue the same methods there that they have in California, they will encounter the same bitter experience that they are now undergoing here.

One reason why the Japanese show no disposition to Americanize themselves lies in their belief, passed down through generations, grounded into them in their schools, and a part of their religion (For is not their nation the only one on earth whose ruler is the living God?), that they are superior to any race on earth. Why, then, should they be willing to expatriate themselves and become citizens of an inferior nation?

The cockiness which many have noticed in the Japanese under certain conditions and on certain occasions, their pride and sensitiveness, their intolerance of criticism or opposition, are all due to this inbred and firmly established belief in their superiority. In the issue of June 10, 1920, of *The Northman*, a Swedish publication printed at Portland, Oregon, Miss Frances Hewett, who spent six years in Japan teaching English to Japanese school children in the public schools there, says: "Neither do the tourists

learn that these children are taught that they, being children of the Son of Heaven, are superior to all foreigners, and that their natural destiny is to bring all other peoples to subjection."

Under such conditions, it is not only probable but practically certain that the majority of Japanese who are now endeavoring to secure for themselves the privileges of American citizenship, are doing it not from any desire to help the American nation, or to become an integral part of it, but that they may better serve Japan and the Mikado. A striking evidence of this is found in an article which appeared in the *Sacramento Daily News*, a Japanese newspaper, February 4, 1920. This calls the attention of the Japanese to the dual citizenship situation, and suggests that for the present they cease registering births with the Japanese authorities, and register only with the American authorities. They are advised that they need not fear thereby to lose Japanese citizenship, because at any time they can make good their claim to it by proof of birth, etc. The article closes with the statement that the American citizenship can be used for furthering the purposes of Japan in this country. Following is part of the article:

It is urged then when as American citizens (by birth) the opportunity comes for them to reinforce the Japanese residents in America who have no citizenship rights, they must on behalf of His Majesty, the Emperor of Japan, become the loyal protectors of the race.

The following is a portion of a statement made on his return to San Francisco from Japan by Dr. Benjamin Ide Wheeler, President Emeritus of the University of California and republished in the *Japan Advertiser* of Tokio on May 22, 1920. Dr. Wheeler had gone to Japan as a member of an unofficial mission headed by Mr. Wallace

M. Alexander of the San Francisco Chamber of Commerce to discuss with leading Japanese the feasibility of a friendly understanding between the two countries.

The two civilizations can not mingle, and the leaders in Japan agree that it is not well

to attempt to amalgamate them. They can not and will not understand our civilization, and no matter in what part of the world he is, a Japanese always feels himself a subject of the Emperor, with the Imperial Government backing him, much as a feudal retainer had the support of his overlord in exchange for an undivided loyalty.

The Attitude of Organized Labor towards the Japanese

By PAUL SCHARRENBURG

Secretary, California State Federation of Labor; Member of State Commission of Immigration and Housing of California

THE Oriental immigration problem has always been distinctively a California problem. For seventy years the working people of California have striven for legislation prohibiting the further immigration of Oriental laborers. Certain internationalists and intellectuals of various shades have expressed doubts about the wisdom of adopting an exclusion policy. Men and women whose occupations have brought them into direct contact with the Chinese or Japanese have never had but one opinion as to the significance of their admission. Whether in the mining camps of the early fifties, in the factories and workshops of the later periods of industrial development, or as tillers of the soil, we find the same bitter complaints of the evils of such competition.

If Californians had been able to legislate on the subject, the question would have been settled long before the Chinese had arrived in sufficient numbers to constitute a serious problem. However, under our system of government Congress claims exclusive right to regulate immigration, hence it was necessary to convince the nation before the desired relief could be obtained. This was not an easy task. The small minority within the state whose interests were opposed to re-

strictive legislation were greatly reinforced by the merchants of older states, who feared to jeopardize the rich trade of the Orient, and by idealists who were loth to recognize the world-old significance of race in the application of their theories of political and social equality. Only by the persistent and sustained effort of the working people of California first the state and then the nation have been converted to the policy of Chinese exclusion.

No sooner had the Chinese immigration problem been disposed of to the general satisfaction of Californians when the menace of unrestricted Japanese immigration came to the front with startling rapidity.

For two hundred and fifty years prior to the arrival of Commodore Perry, Japan had excluded all foreigners (barbarians) except a small number of Dutch traders who were, however, restricted to a small island. Commodore Perry anchored off Uraga on July 7, 1853. Five years later the first official treaty between the United States and Japan was signed to take effect on July 4, 1859.

Only thirty-three years later, in 1892, the American Federation of Labor Convention adopted resolutions demanding extension of the Chinese Exclusion Act so as to include Japanese. And

fifteen years after this demand was made, i.e., in 1907, a so-called "Gentlemen's Agreement" was arrived at through diplomatic negotiations whereby the Japanese Government agreed to keep laborers from America.

But the "Gentlemen's Agreement" has not been a solution of the problem. In California the demand for the exclusion of Japanese is more general and more pronounced today than ever before. Of course, the organized working people have been in the vanguard of this movement just as they led in the struggle for Chinese exclusion. Leadership in this respect does not mean hurling the most bricks. To the contrary, labor in California has severely frowned upon violent anti-Japanese manifestations. Although this is not generally known, it is a fact, nevertheless, that California trade-unionists have at all times made earnest efforts to eliminate the harsh, unpleasant features incident to such a campaign of propaganda.

There are many concrete examples to bear out this contention. But just one will suffice to illustrate the point. Two Japanese presented credentials as fraternal delegates to the annual convention of the California State Federation of Labor which met at Santa Rosa in 1915. The report of the Committee on Credentials made to said convention clearly sets forth California labor's attitude toward the workers in Japan and is quoted herewith:

There have been submitted to the Committee on Credentials two credentials for fraternal delegates from the Laborers' Friendly Society of Tokio, Japan, namely, B. Suzuki and S. Yoshimatsu.

Your Committee has given careful consideration to the question of seating these men. It has been said that the Laborers' Friendly Society is not a bona fide trade-union. It has also been alleged that these two men are not representing the working people of Japan, but are rather agents of the

Japanese Government in a well planned campaign to weaken our immigration laws, etc.

Your Committee, however, has not been furnished with any evidence to substantiate the allegations referred to. We therefore recommend that both be seated without vote.

We have arrived at this conclusion (1) because the seating of these delegates in no way affects our attitude or modifies our demand for the exclusion of all Asiatic laborers from our shores; (2) because we believe it is in accordance with the spirit of International Unionism and to our own advantage to aid and encourage the working people in Japan to organize and better their conditions.

The Committee's report was adopted and the delegates seated. During the second day's session Delegate Suzuki read to the convention a carefully prepared paper. His address was made a part of the printed proceedings.

The same convention which extended every courtesy to the Japanese delegates did not fail, however, to reiterate the old demand for an extension of the Chinese Exclusion Act so as to bar all Asiatics. United States Senator Phelan took occasion shortly after the adjournment of said convention to write to the California State Federation of Labor intimating "that the Federation had been trapped into a false position."

This was denied in a circular letter sent out by the Executive Council of the Federation, reading in part as follows:

No, Senator, we have not modified our views upon the Japanese menace. We fully realize the danger of the so-called "Gentlemen's Agreement" and we are anxious to have enacted an exclusion law which will effectively and permanently bar these little brown men from our shores.

Our objection to the Japanese in California is not, as you so well know, based upon trivial or sentimental reasons. We object to them for economic reasons, we

know Californians can not compete with them and maintain an American standard of living. And we have been in hopes that our kind treatment of the two delegates from Japan, and our own efforts to have them understand fully and unequivocally that we have no grievance against the Japanese as long as they remain in Japan, might have a tendency to bring about a better understanding between the wage workers of Japan and the wage workers of America. If we have failed in this honest endeavor it will be no fault of ours. We have at least tried.

In labor circles there was considerable discussion upon the question throughout the year, but when Suzuki returned from Japan a year later he was again seated in the convention with only a few dissenting votes. At that time (October, 1916) Delegate Suzuki extended a formal invitation to the convention to send a fraternal delegate to the fifth anniversary of the Laborers' Friendly Society in Japan, to be held the following spring in Tokio.

The invitation was referred to a committee, and in due time the committee submitted the following report:

Upon invitation of the Japanese Fraternal Delegate to send a Representative to that Country, your committee submits the following resolution and recommends its approval:

Whereas, The organized labor movement of California and of America stands ever ready to assist the workers of every country, color and creed, to emancipate themselves from exploitation, and

Whereas, It has been necessary at times for the working class of this country to protect their standard of living by favoring the exclusion of foreign competition, in the spirit alone of imperative necessity and self-protection, and

Whereas, We have learned, with interest and gratification, that the workers of Japan are organizing into industrial unions for their own welfare; a movement we can endorse; therefore, be it

Resolved, By the Seventeenth Annual

Convention of the California State Federation of Labor, that we give to Mr. Suzuki, the fraternal delegate from the Laborers' Friendly Society of Japan, our expression of good will and a message of hope and encouragement for a brighter future of the working class of his country; and be it further

Resolved, That, in assuming this position of a greater friendship between the workers of the East and the West, we must continue our unswerving stand upon exclusion until such time as immigration will not prove a menace to our own unions, our working people and our standard of living; and be it further

Resolved, That the question of sending a fraternal delegate from this body to the labor convention in Japan be referred to the Executive Council of this Federation, with the hope that a delegate can be selected to carry a message of good will and encouragement to the laboring class of Japan.

The report of the Committee was adopted.

In November of the same year Suzuki attended the annual convention of the American Federation of Labor which met at Baltimore. This convention was equally emphatic in defining the position of organized labor upon American-Japanese working-class relations, by the unanimous adoption of the following:

Resolved, By the American Federation of Labor in annual convention assembled at Baltimore, Md., that we note with extreme pleasure and satisfaction the fact that the working people of Japan are organizing into unions and federated under the Laborers' Friendly Society of Japan; that we bespeak for them and their movement all the success possible; that we recommend that the Executive Council continue its friendly office in an effort to be helpful to the organization of the workers of Japan in every way possible by correspondence, and that it send a message of fraternal greeting, good will and best wishes for the success of the movement to organize more thoroughly and practically the wage-workers of Japan to bring light in their work and their lives.

It had been hoped that the American Federation of Labor and the California State Federation of Labor would each send a fraternal delegate to the meeting in Japan but the international situation became more and more critical and finally resulted in America's entry in the war. That put an end to plans for developing a clearer understanding and promoting mutual good will between the workers in America and Japan.

Suzuki did not return as a fraternal delegate but since his last visit the workers of Japan have been represented at two international labor conferences held under the auspices of the League of Nations and in each instance the Japanese representative gave an excellent account of himself.

M. Masumoto, Japan's labor delegate to the International Labor Conference held in Washington, during 1919, was a man with the courage of his convictions. Addressing the conference on November 27, Masumoto characterized his government as an autocracy which is the enemy of social justice. Pointing to the Japanese flag, he declared that under it "there is a police regulation whose aim is to interfere with the organization of labor." Describing what he termed the danger of extending to the Government of Japan special treatment, Masumoto said the industrial workers of Japan were mostly women and children, and that their lives approached almost that of slavery.

A second international labor conference was held at Genoa, Italy, in June and July, 1920, to consider the problems of seamen. Just prior to said conference representatives of the world's seamen held an opening meeting in Genoa for the purpose of comparing notes and, if possible, to agree upon a joint program for submission to the official international conference.

At both of these meetings the seafarers of Japan were represented by Ken Okasaki, an able, courageous and resourceful champion of those who go down to sea in ships.

It has been my good fortune to come in personal contact with all three of these Japanese labor representatives—Suzuki, Masumoto and Okasaki—and it is not stretching a point to assert that men of this type are truly a credit to the working people in Japan.

Through association with these three men, often under decidedly trying circumstances, it has become a fixed belief with me that American-Japanese relations can be adjusted on a basis entirely satisfactory to the working people in both nations. No claim is made that this can be done by professional diplomats. But a series of heart to heart talks between workers' representatives from America and Japan will accomplish wonders. In fact there will be scarcely any ground for disagreement after a perfectly frank exchange of views has taken place. Of course, there must be honesty of purpose and discussion without disguise.

Japanese and American diplomats have so beclouded the main issue that the average man who is not a member of the diplomats' union, and hence not versed in the fine points of that game, can not possibly follow the play.

For years we have been told that the Japanese are peeved because of the anti-Japanese campaign in California. But is it reasonable to assume that any Japanese duly acquainted with the immigration policy of Australia and Canada can have any grievance against California's efforts to similarly protect herself?

Can it be possible that any considerable number of Japanese, outside of diplomatic circles, will seriously claim certain rights for their countrymen in California when these "rights" have

been and are being denied by other countries closely allied with Japan?

Every well informed Japanese knows that certain groups of workers in Japan have time after time protested against the importation of Chinese coolies. Is it not a perfectly natural corollary that the working people of the Island empire, if duly informed, will not only understand but actually sympathize with the identical attitude of American workers?

Trained diplomats may answer "No." But here is one California trade-unionist who believes that the working people in Japan will give an entirely different reply.

To be sure, the case must be presented to them in its entirety and also in its true colors. As years go by this becomes more and more difficult because politicians and statesmen (so-called) are doing their utmost to make frank and manly discussions of the problem a virtual impossibility.

But it is not too late to start right now. The organized working people in some of the countries of Europe are

no longer content with old diplomatic usages. They have insisted and in several instances succeeded in securing recognition for men from the ranks of labor. It was not a question of getting government jobs for labor officials but rather the driving of labor's viewpoint, labor's thought and language, into the exclusive set who are labeled "trained diplomats."

So here's hoping that responsible forces will soon be at work:

1. To bring about an intelligent appreciation throughout America of the economic need for the exclusion of Japanese.

2. To map out a plan, open and above-board, whereby it will be possible to reach a thorough understanding between the workers in Japan and the workers of America.

3. To cause the appointment of an experienced and thoroughly representative labor man for service (as an adviser) at each of the principal American embassies, but in particular at our embassy in Tokio.

Review of Exclusion History

By WALTER MACARTHUR

San Francisco, Cal.

"As became a people devoted to the National Union, and filled with profound reverence for law, we have repeatedly, by petition and memorial, through the action of our Legislature, and by our Senators and Representatives in Congress, sought the appropriate remedies against this great wrong, and patiently awaited with confidence the action of the General Government. Meanwhile this giant evil has grown, and strengthened, and expanded; its baneful

effects upon the material interests of the people, upon public morals, and our civilization, becoming more and more apparent, until patience is almost exhausted, and the spirit of discontent pervades the state. It would be disingenuous in us to attempt to conceal our amazement at the long delay of appropriate action by the National Government towards the prohibition of an immigration which is rapidly approaching the character of an Oriental invasion, and which

threatens to supplant Anglo-Saxon civilization on this Coast."¹

THE language here quoted is practically identical with the expressions commonly used in the present discussion of the Japanese question. The object sought by the people of the Pacific Coast forty years ago has been attained. Chinese immigration ceased with the passage of the Chinese Exclusion Act, and that phase of the general problem may be considered as settled.

The problem of Japanese immigration is in all essentials one with the earlier phase of Asiatic immigration. Fundamentally, the whole question is a matter of race; not of the comparative qualities of the races, *but solely of the difference between the races*, a difference so wide and deep as to constitute a natural and permanent cleavage. From this viewpoint it would seem that a brief review of the history of Chinese exclusion may be of value in the present discussion.

Chinese immigration to California dates from the period of the gold rush, when a few members of the merchant class arrived at San Francisco. They were welcomed, and in fact honored, partly on their own account but chiefly because of the promise, which their presence afforded, of a great commerce with the Orient. They sent back favorable reports of their reception and the prospects of advancement in the new land. Immediately the tide of immigration set in. In little more than a year (1851) 14,000 Chinese had landed in the state. A large fleet of vessels was employed in the "coolie trade," as it was thus early designated, at the rate of fifty dollars per head. During the two years, 1853-1855, the approximate numbers of Chinese in California fluctuated between 22,000 and 39,000.

¹Memorial to Congress by the California Constitutional Convention, 1879.

The welcome accorded the first-comers from the Flowery Land was short-lived. The great majority of the immigrants were of the coolie class, and of course sought employment in the mining industry. The characteristics of this class of immigration immediately became apparent. In 1852 (that is, within two or three years following the advent of the first immigrants) the public feeling against Chinese labor had reached an acute point. Then began the agitation for Chinese exclusion, which continued without intermission for fifty years, and which has been continued in the case of its correlated phase throughout the subsequent period of eighteen years, down to the present time, a total period of sixty-eight years.

From the beginning of the agitation the race factor was recognized as fundamental, and all efforts to cope with the evil were directed toward the ultimate object of exclusion. Probably the most comprehensive treatment of the subject is contained in *A History of California Labor Legislation*, compiled by Lucile Eaves and issued by the University of California. From that work we gather the following details of the exclusion movement.

In the period 1852-1872 numerous measures were enacted by the state and municipal authorities. In general these measures took the form of taxation. An example of the policy of "exclusion by taxation" is seen in the act of the California Legislature (1852) which, by requiring a bond of \$500 for every alien passenger landed, sought to accomplish the object of state exclusion without running counter to federal authority. Many municipal ordinances were aimed in the same direction. A laundry tax, prohibitive in effect, was imposed. A cubic air space regulation, likewise prohibitive, was enacted. It was made a misde-

meanor for any person on the sidewalks to carry baskets suspended on a pole across the shoulders. Another ordinance prohibited the employment of Chinese on public works. The principle of the latter measure, which was described as "exclusion by starvation," was subsequently embodied in the State Constitution (1879) in two provisions, one of which prohibited the employment of Chinese or Mongolians by any corporation, while the other prohibited their employment on public works, "except in punishment for crime." The former of these provisions was declared unconstitutional, but the latter remains a part of the State Constitution.

In general these measures failed in their object, largely because the authorities were unable or unwilling to enforce them, but chiefly because they went beyond the legislative powers of the state and municipality. The pole-carrying ordinance was upheld by the State Supreme Court, as a reasonable exercise of the police power. Practically all other measures aimed against the Chinese were declared unconstitutional, either by the state or federal courts.

The policy of actual exclusion by the state was attempted by an act of the Legislature passed in 1852. By the terms of that measure no Chinese or Mongolian was allowed to land in the state. Masters of vessels were subject to a fine of \$400 to \$600, or imprisonment for from six months to a year, or both such fine and imprisonment, for knowingly permitting the landing of Chinese. This attempt at direct exclusion was, of course, declared unconstitutional.

In every instance the failure of these attempts to deal with the question by the exercise of state or municipal powers resulted in increased agitation, accompanied by increasingly drastic

proposals and occasionally by open violence, culminating in the forcible expulsion of the Chinese from many localities. It is to be noted, however, that public feeling was the result of resentment against the failure of Congress to act upon the demand for exclusion, rather than of disappointment over the failure of the local measures. It appears that the real motive inspiring many of the local efforts was admonitory—that is to say, these efforts were designed as a warning to Congress and the people in other localities and to impress upon them the need of federal legislation. The resolutions and memorials issued by numerous public and quasi-public bodies uniformly recited the failure of all local efforts to secure relief, by way of prelude to the demand for Congressional action.

The Burlingame Treaty (1868) between the United States and China recognized the "mutual advantages of free migration and emigration of their citizens and subjects respectively from one country to the other for the purposes of curiosity, of trade, or of permanent residence." A single reservation was made by amendment, to the effect that nothing in the treaty should be held to confer the right of naturalization in either case. Thus the action of the federal government increased rather than allayed the dissatisfaction of the people in the West. This condition was further aggravated by the discussion which shortly afterward (1870) took place in Congress in connection with a bill to revise the naturalization laws. During the debate on the proposal to extend the rights of citizenship to aliens of African descent and persons of African nativity, an effort was made to include "persons born in the Chinese Empire." The attempt to extend the rights of citizenship to the Chinese

failed, but as a result of that attempt the whole question of Chinese immigration was fully presented to Congress for the first time.

In 1880 a new treaty with China was concluded, in which that country agreed that "the Government of the United States may regulate, limit, or suspend such coming or residence, but may not absolutely prohibit it."

The first exclusion act was passed in 1882. As originally enacted it prohibited the immigration of Chinese laborers for a period of twenty years. This bill was vetoed by President Arthur, who, following the example of President Hayes in the matter of the so-called Fifteen Passenger bill (1879), declared that the Exclusion bill violated the treaty, inasmuch as neither contracting party had contemplated so long a suspension as twenty years, or would have considered such a period a "reasonable" suspension or limitation. The bill was immediately amended to limit the period of suspension to ten years. In this form it was reenacted and approved by the President (May 6, 1882).

In 1884 the Exclusion Act was amended to prohibit the entry of Chinese not only from China but also from "any foreign port or place." Other defects in the law became apparent, and in 1888 a bill was passed regulating the conditions under which a Chinese laborer, having left the United States, should be permitted to return. Notwithstanding all efforts to insure absolute exclusion, the Census of 1890 showed an increase of 2,000 Chinese in the United States (total 107,000), as compared with the figures of 1880.

In 1891 the Legislature of California passed an exclusion law, in accordance, presumably, with the policy of admonition previously adopted. Of course this second adventure into the realm

of federal jurisdiction met the fate of its predecessor. It would seem, however, that the admonition was not entirely in vain.

In 1892 the Geary Act was passed. This measure extended the original exclusion law and all supplementary legislation for an additional period of ten years. In 1893 the McCreary Act was passed, extending the time allowed for registration and discontinuing all proceedings for violation of the former act. In 1894 a treaty between the United States and China was adopted, in which the latter country agreed to the exclusion laws. In 1902 the present Chinese Exclusion Act was passed, renewing for an indefinite period all laws prohibiting and regulating the coming of Chinese laborers from China, from any foreign port or place, and from or to the Island territory of the United States.

On many occasions during the long discussion of the subject reference was made to the Japanese, varied by the use of the terms, "Asiatic" and "Mongolian." But for the question of "practical politics" the demand for exclusion would have included the Japanese. The latter were omitted from the exclusion laws, not because of any distinction in their favor but solely because it was deemed wise to concentrate effort upon the actual evil of Chinese immigration rather than risk failure by an attempt to forestall events.

Japanese immigration has passed the stage of potential evil. The conditions created by the presence of the Japanese in many localities have raised issues in every respect much more acute than those of the past. The present agitation is but a repetition in aggravated form of the history of Chinese immigration. The most important lesson which we gather from

that history is that as the solution of the problem can only be accomplished through exclusion by federal enactment, the continued failure of Congress to exercise its authority, thus leaving the people of the States to their own

devices, will increase public resentment in the respective localities and proportionately complicate the real problem by involving in its discussion many matters of an extraneous or at best incidental nature.

The Japanese Question in California

By LOTHROP STODDARD, PH.D., J.B.¹

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THE full significance of the present agitation in California against the influx and settlement of Japanese can not be appreciated unless we understand that it is only a phase of two larger issues: the issue of Asiatic immigration, from whatever source, into the United States; and the even larger issue of colored immigration into lands of white settlement throughout the world. For the last half-century the relations of the white and non-white races have been growing both closer and more critical, until today they constitute unquestionably the gravest problem which confronts the world.

These relations are the logical outcome of the past four centuries of world history. During the last four hundred years the whites have spread broadcast over the globe, occupying its empty regions, like America and Australia, and building up a civilization characterized preëminently by high standards of living. Down to the last few decades of this long period the non-white races were practically passive, staying in their ancestral homes and filling those regions with dense populations characterized by low standards of living. But of late years

the non-white races have begun to stir. They hear about rich, thinly-peopled white men's lands. They learn the ease of ocean travel. They chafe at their pinched, crowded existence and long to enter those newer white men's lands whose ampler opportunities render them a veritable earthly paradise. They begin to cross the white world's frontiers. But the white inhabitants of these frontier regions at once take alarm. Relatively insignificant in numbers, they see themselves menaced by countless hordes of colored men threatening them with the destruction of their living standards, with numerical submersion, with social sterilization, and with ultimate racial extinction. Naturally the whites resolve that this shall not be. They resolve that the lands won by their pioneering enterprise shall remain their possession and the heritage of their children. They erect legal barriers debarring the colored immigrants from their soil. The colored man is thus balked in his dearest hopes. He strives to evade these legal barriers, and to a certain extent succeeds. The whites are still further alarmed. The barriers are still further strengthened. The colored pressure against them grows in turn. Passions become more and more inflamed. Both sides invoke the elemental principle of self-preservation. Both sides threaten to make good their

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cause by the ultimate argument of force—i.e., war.

That, in brief, is the situation which has developed between the teeming populations of awakened Asia and the frontier populations of the white world. Its most acute phase, to be sure, is today seen in California, and it is to that phase that this paper will be chiefly devoted. The reader should remember, however, that what he learns concerning the Japanese in California holds good for all types of Asiatic in other states of our Union, in Canada, in Australia, in South Africa and in every other region of white settlement where the man of color attempts to penetrate. It is a true world-problem which confronts us, and it must be considered in this broad way.

California, however, presents the best epitome of the problem of colored immigration into white territory. It was in California that Asiatic immigration was first clearly recognized to be a "problem," and it is California which has been the special goal of all three of the Asiatic migratory races—Chinese, Japanese and Hindus. In fact, the present Japanese immigration is a secondary phenomenon in the history of Asiatic penetration of California. Chinese immigration was the first phase, and the Chinese Exclusion Act of 1892, taken in conjunction with the "Asiatic Barred Zone" clause of the Immigration Act of 1917 by which Hindu immigration was likewise stopped, together suggest workable means for dealing with the Japanese question.

Chinese immigration into California began shortly after the gold rush of 1849. In the year 1854 more than thirteen thousand Chinese arrived, and so great was the influx in succeeding years that the white settlers grew gravely alarmed. The Chinese worked

so hard and lived so cheaply that white labor simply could not compete against them, and with human reservoirs of over 400 million to draw on it soon became clear that the Chinese immigration threatened to swamp California's small white population and turn our Pacific Coast into a yellow man's land. Accordingly, California began appealing to Washington for exclusionist legislation, reënforcing its arguments by a popular referendum held in 1880, which showed the inhabitants of the state overwhelmingly in favor of Chinese exclusion. Meanwhile Congress had appointed a special commission to investigate matters on the spot, and its report, together with the appeals from the Coast, finally convinced Congress that the Chinese influx must be stopped. Accordingly, a series of measures was passed culminating in the Geary Act of 1892. This exclusionist legislation worked. The Chinese population of the United States is today only about one-half what it was in 1890, and it continues to diminish so steadily that within another generation the Chinese element here will have dwindled to the vanishing point.

This Chinese prologue to the present Japanese problem bears upon that problem not only as illustrating the efficacy of exclusion legislation but also because the whole question of the legal status of Asiatics in the United States was threshed out and judicially settled. The founders of our Republic had obviously intended America to be a white man's country, the Naturalization Acts of 1802 and 1804 stating that only "free white persons" were capable of naturalization. After the Civil War naturalization was thrown open to Africans, but the Supreme Court held that this extension was restrictive and did not apply to Asiatics, who were thus incapable of becoming citizens,

albeit the children of Asiatics born on American soil were eligible. Furthermore the broad principles underlying the questions of immigration and naturalization were clearly defined. It has always been the contention of most international jurists that a sovereign state is the sole judge as to whom it shall admit either to entry or to citizenship, such prerogatives being an inherent part of its sovereignty and necessary to its self-defense. These contentions have been upheld by our Supreme Court.

These decisions are of fundamental importance. They prove that our action towards Asiatic immigration, settlement and citizenship can be considered purely as matters of policy, undisturbed by questions of legal right or obligation. Asiatics, particularly Japanese, are continually asserting that we have no "right" to discriminate between Asiatics and Europeans as regards either immigration or citizenship. Such contentions are, however, wholly baseless. On the contrary, both national and international law concur in giving us an absolute right to determine whom we shall admit to our territory and our franchise. It is one of the bright spots of the present situation that the legal bases have been so thoroughly established.

Japanese immigration did not become noticeable until the year 1900. In that year over twelve thousand Japanese entered the country. At this practically unheralded influx California instantly took alarm. The history of Chinese immigration had taught Californians the almost uncanny way in which an Asiatic influx could suddenly increase from nothing to portentous proportions. By 1905 the Japanese in California had become an international question owing to the diplomatic crisis over the San Fran-

cisco school segregation episode. This crisis, together with the rising tide of Japanese immigrants and the consequent alarm of the Pacific Coast, convinced the Federal Government that quick action was imperative. The upshot was the "Gentlemen's Agreement" of 1907—an attempt by our government to stop Japanese immigration without wounding Japanese susceptibilities. By this Agreement the Japanese Government agreed to discontinue the granting of passports to *laborers*.

The "Gentlemen's Agreement" (which still governs Japanese immigration to the United States) at first seemed to meet all expectations. In 1907, the year of its making, over thirty thousand Japanese entered this country. In 1908, the number of Japanese immigrants was only eighteen thousand, and in 1909 it fell to a trifle over three thousand. That, however, was the low-water mark. During the past decade Japanese immigration has been steadily rising, until in 1919 the number admitted was over sixteen thousand. The "Gentlemen's Agreement" has, in fact, satisfied neither the inhabitants of the Pacific Coast nor the experts of our Bureau of Immigration. Our Government, in negotiating the Agreement, aimed at restricting the influx of Japanese to a point similar to that already attained by the Chinese Exclusion Act; i.e., to travellers, students, teachers, scientists and merchants engaged in international trade. But, by the terms of the Agreement, Japan limits her refusal of passports only to "laborers." To all other classes there is no bar. For example, farmers (as contrasted with farm laborers) do not fall within the prohibited class; and it is precisely these Japanese farmers who have been so active in that acquirement of agricul-

tural land which has so alarmed the Coast and has led to California's restrictive legislation.

Not merely California but adjacent western states have sought by legislative measures to stop the development of Asiatic agricultural colonies on their soil. In 1912, for example, Arizona passed such legislation. It was, however, California's famous Heney-Webb Land Act which brought on a diplomatic crisis between the American and Japanese governments more acute even than that of 1905. Japan protested strongly against such legislation, but the Federal Government upheld California as being within her legal rights. It is interesting to observe that the Californians were strengthened in their determination by the influx of a third type of Asiatic—the Hindu. The number of Hindus actually admitted was small, but the only reason was the uncompromising attitude of the immigration officers, who invoked every legal technicality to bar them out. These intensely objectionable Asiatics were desperately anxious to get in, and they were but the pioneers of countless swarms, eager to come to America. Here was another Asiatic reservoir of over 300 million souls threatening to deluge the Coast. What wonder that the Coast became more determined than ever that Asiatics of whatever breed must be rigorously excluded if the Coast was to be kept a white man's country? What wonder that anti-Japanese sentiment grew ever stronger, especially when it became evident that the "Gentlemen's Agreement" failed to exclude and that the Japanese were gaining, both by immigration and by birth, an ever stronger hold on the land?

It was the latter element—the American-born Japanese—which was most disquieting to Californians. The

early Japanese influx, like the still earlier Chinese influx, had been one of male laborers, bringing few or no women. But as time passed the Japanese, settling on the land, sent for their wives or contracted marriages by proxy with girls in the old country, the courtship frequently consisting in an exchange of photographs—whence the term "picture brides." These women bore their husbands many children, who, being born on American soil, were American citizens, untouchable by any anti-Asiatic legislation. It was, in fact, by grants to these children that the Japanese were mainly able to circumvent the Heney-Webb Land Act prohibiting the ownership of land by aliens ineligible to citizenship.

The renewed anti-Asiatic efforts of the Coast first showed in the "Barred Zone" clause of the Immigration Act of 1917. This clause, embodied in Section 3 of the Act, excludes from the United States natives of the territories included within such zone not belonging to certain specified classes such as government officials, travellers for curiosity or pleasure, and persons of certain specified professional occupations. This Barred Zone includes the greater part of Asia. Japan lies outside of it. Nevertheless, it strikes indirectly at Japanese immigration by the fact that, taken in conjunction with the Chinese Exclusion Act, it debars virtually all Asiatics except the Japanese, who are still covered by the "Gentlemen's Agreement." Thus Japanese immigrants have become exceptions to our Asiatic exclusionist rule. The Hindus, for instance, are henceforth automatically excluded. Furthermore, the experts of our Immigration Bureau heartily endorse the Barred Zone idea and recommend that it be extended to cover not merely the whole of Asia but all of the rest of the non-white world.

In his 1919 report the Commissioner-General states that the Barred Zone idea offers the best means of protecting ourselves from fresh influxes of unas-similable aliens.

Meanwhile, California was preparing to deal with her Japanese problem by fresh state legislation. The Heney-Webb Land Act not having fulfilled expectations, remedial legislation of a very drastic nature was proposed in the spring of 1919. At that time Secretary of State Lansing cabled the California authorities from Versailles (the Peace Conference being then in session) that any anti-Japanese legislation might seriously compromise the world-settlement. Accordingly, California deferred action. However, Californians intended this only as a temporary postponement of action and deemed it an absolute necessity. Furthermore, they felt that federal as well as state action was imperative if the Japanese problem was to be satisfactorily solved. In order to present California's case in the strongest possible way, Governor Stephens instructed the State Board of Control to make a thorough investigation of the status of Asiatics in California. Accordingly, the Board drew up a very minute statistical report of its survey, submitting it to the Governor in the spring of 1920. This report discusses the status of Asiatics in California (Japanese, Chinese and Hindus) from every important angle. Its contents can not even be summarized within the limits of this paper, but the outstanding fact is that, whereas the Chinese and Hindus are rapidly decreasing, the Japanese are rapidly increasing, with a phenomenally high birth-rate and remarkable economic success, especially in the acquisition of land holdings.

This report was forwarded to the Secretary of State together with an explanatory covering-letter by Gov-

ernor Stephens, whose strongly worded recommendations may be summed up in the phrase: "The people of California are determined to repress a developing Japanese community within our midst." Federal aid was asked by "an exclusion act passed by Congress" which should "provide for the full exclusion of all Japanese, saving certain selected classes." Meanwhile California herself took action by formulating drastic legislation aimed at stopping the leaks in the Heney-Webb Act and at preventing the further acquisition of land by Japanese. The new measure was not brought up in the legislature but was in the form of an initiative measure to be submitted to the voters on Election Day, November 2, 1920. This was to give the measure the character of a popular referendum and an advertisement to the whole country of California's stand on the Asiatic immigration question. The measure passed by an overwhelming majority.

Before its passage the Federal Government, stirred by the popular feeling on the Coast, appointed a Congressional Committee which went out to the Coast and conducted a thorough investigation. The Committee has not yet formally reported its findings, but several of its members have expressed themselves to the effect that strict regulation of Asiatic immigration is a necessity.

Recalling the history of Chinese exclusion, we observe a remarkable similarity between the stages of the anti-Chinese and anti-Japanese agitations. The recent referendum of 1920 is the counterpart of the referendum of 1880, while the two Congressional investigations are parallel in scope and will apparently result in the same conclusions.

Everything portends the speedy stoppage of Japanese immigration,

either by rigid exclusionist legislation or by an ironclad diplomatic agreement with Japan. This appears to be the only way of settling a chronic problem which, for the last twenty years has kept the Coast in ferment, has poisoned Japanese-American relations and contains within itself the seeds of war. A settlement, at once prompt and definite, is imperative. Faltering and half-measures are worse than useless.

The Coast has made a good case. It has a right to be freed from the menace of Asiatic pacific penetration, from whatever quarter. Since Japan is today the only remaining source of Asiatic immigration, measures must be taken whose effect will be to insure that the Japanese element in the United States shall become, like the Chinese and Hindu elements, a stationary or dwindling one.

The Development of the Anti-Japanese Movement

By ROBERT NEWTON LYNCH

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THE question of Oriental immigration to the United States must now be squarely faced and in the interest of world peace an earnest attempt made to secure solution. California furnishes the facts as to the present conditions of this problem and California owes to the balance of the country an intelligent grasp of the problems involved and a sympathetic and humane consideration which will help guide the country to sane and peaceful solution.

There are stubborn facts to be faced, some of these are unalterable and others do not admit of immediate change, but must await education and be submitted to time and experience. One of these is that the Japanese do not assimilate. Another is that the Japanese are not eligible to citizenship. Individually they have a high order of efficiency, are exceedingly industrious, very ambitious and quite capable of rising immediately above the status of common labor. It is evident that the permanent presence of a large body of such people in the United States, highly concentrated in certain favorable localities, backed by a powerful and proudly sensitive government, raises a practically unsolvable problem

and threatens the peace of two otherwise friendly powers. This is the California situation in a nut-shell. The issue is clouded with many circumstances and has aroused much unnecessary antagonism and hostility. Some of the obvious facts have been hotly debated, fears have been exaggerated, and political advantage on both sides of the water has been taken of the situation. Individual derelictions and general indictments of national character have colored the discussion and influenced action. One would covet more intelligent analysis and recognition of inevitable facts and situations.

The first instalment of Japanese immigration was rather welcomed in California, notwithstanding the fact that California had passed through a definite experience with the Chinese leading to the passage of exclusion laws. The Chinese residents in the state, after rigid exclusion was adopted, have completely turned the sentiment of the people from that of dislike and hostility to that of respect and even admiration for their character and qualities. After they ceased to be an economic menace they rapidly won a place for themselves and ceased en-

tirely to be a problem. This, in spite of the fact that the number of Chinese in California in the seventies was much larger than the present Japanese population. However, a small but definite group, composed largely of labor leaders formed in an Asiatic Exclusion League, have always been on the alert against an inundation of Oriental labor. Furthermore, the Chinese agitation which burned so fiercely at one period resulted in a political tradition which has always been unalterably opposed to any influx of Asiatics.

The history of Japanese immigration was marked first, by a favorable attitude due to the prestige of their country, and the possession of the very qualities which later were so strongly urged against them. The sympathy of the United States was largely with Japan in its war with Russia, and the few Japanese in California at that period received the benefit of that sympathy. Any hostility was strictly confined to the aforesaid Asiatic Exclusion group. The first outbreak of popular antagonism was in the school controversy in San Francisco, due to the segregation of Orientals in separate schools. The Chinese welcomed such separation, but the Japanese resented what seemed to them a discrimination. The matter was of course complicated by the presence of older and even adult Japanese seeking to attend school with smaller white children. This incident was the first appreciation of the radical differences of viewpoint of Japanese and Chinese, which has gradually gained for the Chinese a kindly feeling and for the Japanese the hostility of California. The Chinese are tractable, patient, self-effacing, philosophical, self-respecting, and quite content to remain as servants and laborers. Their intelligent leaders are not insulted at the results of inevitable race differences, and no assimilation is required

or desired. They are offended at brutal and unjust treatment, and have a long and serious indictment over the treatment to which they have been subjected by federal and city officials. On the other hand, the Japanese are sensitive to every discrimination, are ambitious to rise immediately above the status of laborers, are aggressive for recognition, and have gained an unenviable reputation for their disregard of contractual obligations.

After the school controversy, sufficient attention was called to the dangers of a considerable development of a permanent population, that the so-called "Gentlemen's Agreement" was entered into, which was intended to prevent further Japanese laborers from coming to the United States. This agreement was a voluntary determination of Japan, on its honor, not to issue passports except to students, merchants, travellers and others not of the laboring class. This agreement, however, permitted wives, families and dependents of those already in the United States to come lawfully into the country. Naturally with no system of identification of Japanese in the United States the chances of individuals being smuggled over the border or otherwise coming into the country without the official knowledge of the Japanese Government was great. But even if the number thus coming in would be comparatively insignificant the "Gentlemen's Agreement" strictly adhered to could not prevent a very large addition to the Japanese population and the number has doubled in the last decade.

The second stage of Japanese hostility arose over the land question. Japanese labor was very efficient in the small fruits, and at certain seasons was the only available source of labor. The Japanese were highly organized and pushed every advantage to the

full in acquiring leases and ownership of lands, and it became evident that in one or two highly concentrated communities they had driven out the whites. This situation led to the passage of the Anti-Alien Land Law of 1913 which prohibited ownership of land by those ineligible to citizenship and limited the leasing privilege to three years. At the time this was supposed to be a solution of the problem, although the act itself was greatly resented by Japan and led to disturbances of the traditional friendly relation between the two countries.

There was naturally some reaction after the passage of the 1913 law, and which was supported by laboring and farming groups, but which did not reflect any popular attitude toward the Japanese, further than the growing attitude of dislike toward the Japanese methods and aggressiveness and the corresponding growth of kindly feeling toward the Chinese. The holding of the Panama Pacific Exposition in 1915, where Japan made such splendid exhibits and which brought many of her leading business men and statesmen to California, was a distinct move in the other direction which, followed by the entrance of Japan as one of the allies in the Great War, her staunch rejection of German sympathy, and her great service in policing the waters of the Pacific, even protecting the Pacific Coast, raised the Japanese in popular esteem and confidence on the Pacific Coast. Nevertheless the California problem only awaited its day of reckoning.

The whole matter came to a head in the early part of 1919 when Japan's military operations in Siberia, the repressive military policy she adopted in Korea and the exclusive commercial policy she followed in China, and her Shantung situation brought Japan into world-wide suspicion and criticism.

This had an immediate reaction in California and centered attention on the rapid development of Japanese in the state, despite the "Gentlemen's Agreement," and the fact that the Anti-Alien Land Law Bill of 1913 was ineffective as the Japanese had been rapidly importing picture brides and raising American-born families in whose individual names property could be vested freely or as members of corporations, legally entitled to acquire agricultural land. The approaching election and the rising tide of popular sentiment brought the whole question into political discussion. Impatient of legislative action which could not be taken until the session of 1921, an initiative measure was prepared, strengthening the Anti-Alien Land Law Bill of 1913, which provides for guardianship of the agricultural property of children born of parents ineligible to citizenship by the public administrator, or some other person chosen by the court, denying this guardianship right to the natural parent. It also provides for such guardianship over a minor owning stock in a corporation, whose charter entitles it to own land. The measure also abrogates the right of leasing which was granted under the Anti-Alien Land Law Bill of 1913.

The proponents of this initiative understood that the State Law could only deal with ownership of land, and had no power to deal with immigration. It was conceded that the only real solution would be the absolute restriction of immigration, but an irreconcilable group, impatient and critical of the fact that the State Department had temporized with the situation and believing that Japan is treacherous to agreements, looked to a solution through the passage of rigid exclusion laws by Congress and an amendment to the Constitution of the United States denying citizenship to American-born

children of aliens themselves ineligible to such privileges.

The San Francisco Chamber of Commerce has had a committee on Japanese-American Relations which has studied aspects of this question over a period of years and has maintained contact with a similar committee in Japan headed by Viscount Shibusawa.

These two committees have frankly discussed the whole question and without reserve have faced the facts and problems involved.

The Chamber of Commerce opposed the initiative measure recently passed on the ground that it was ineffective even for the purpose of prohibiting ownership of land and aroused unnecessary antagonism and prejudice on a subject which involved international relations of a critical and delicate character. Leading business men of San Francisco have studied the problems of Japan and have taken a sympathetic view of the grave difficulties which their responsible business men and statesmen have to face. The Japanese-American Relations Committee believes that there is a very great problem involved in the California situation and that it is a peril to the peace of both countries to have developed under present conditions a large and growing population, practically unassimilable and ineligible to citizenship. The proper solution of such a situation is an arrangement by friendly means through diplomatic exchanges, an agreement by treaty or otherwise which will effectively restrict further immigration. When such ar-

rangements have been made the way will be open to secure just and even generous treatment for Japanese now lawfully in this country, and inasmuch as they represent but two per cent of the present population of California the tendency will be to scatter over the country and even with the natural increase in their number through births they will become a negligible factor and cease to be a problem.

After all the California situation, however grave and perilous its immediate aspect may appear, is but an incident and symptom of a much larger situation. It is essential to the future peace of the world that the Asiatics and Occidentals shall come to a better understanding of the solidarity of world commerce and respect the other's institutions and problems and coöperate in the development of common and commercial moral standards. The United States has a peculiar and compelling obligation to the peoples of the Orient, one of helpfulness and sympathy. The Japanese, as the only organized and economic force in the Orient, have themselves a great obligation of leadership. They also have a great contribution to make to the new world civilization which hopeful people, deriving their confidence from a belief in an over-ruling and all-wise Providence, are eagerly anticipating. California with all its show of popular prejudice has yet the most practical experience with Asiatics. California must sympathetically interpret the fact and problems to the rest of the United States.

The Japanese Land Problem of California

By ELWOOD MEAD¹

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THE most keenly contested issue of the recent election in California was over the action which should be taken on the initiative amendment prohibiting the selling or leasing of land to Japanese. Compared to this, interest as to who was to be president, or whether America would belong to the League of Nations was vague and remote. To many white farmers the vote on this amendment would determine whether they would continue to live on their farms or have to sell to an Oriental. The vote was therefore large. Public opinion was thoroughly aroused, and the majority of over three to one for the amendment showed clearly the trend of public opinion.

This legislation is a farmers' movement. It was opposed by some landowners and by many who believe in the complete exclusion of the Japanese but who did not believe that this was the way to secure national action. Organized labor was divided on the issue as were business men in cities. The San Francisco Chamber of Commerce opposed the amendment and there were placards in some towns advising laborers and business men to vote "no" since its adoption would, as they naively put it, drive the Japs into town to compete with the townspeople.

There was practically no division of opinion among country people who have to compete with the Japs. They worked and voted for the amendment. The white farm laborer does not like to work with them and still less to work for them. The white tenant farmer knows they have made his lot harder by forcing him to pay higher rent. The farmer living on his own

land fears their invasion of his section and their organized campaigns for exclusive control of land and the marketing of products.

For this action, and the feeling that lies back of it, the Japanese are responsible. The California farmer is easy-going and optimistic, not inclined to plan for the future. If during the last ten years the Japanese had gone into the farming districts as individuals and mingled with white farmers as individuals, there would today be no more prejudice against them as a race than there is against Swedes or Italians, which is none at all. The statement that they have not done so, but have sought to establish themselves as racial communities, is not made in the way of criticism but to help explain why Japanese land ownership is objected to.

In Placer County, for example, 15,000 out of 19,000 irrigated acres are leased or owned by Japanese. The fine homes of the former white tenants are empty. They shelter rats and owls. So far as white people are concerned the towns are socially dead. The irrigated part of Placer County is practically a little Japan. The people from Nippon dominate its life. Controlling the land, they can perpetuate the ideas, habits, religion and loyalties of the mother country and do this indefinitely.

If the Italians owned 80 per cent of the tomato crop of the Sacramento District and 79 per cent of the Turlock District, and exercised a similar control over many other important fruit and vegetable products, they would be regarded with the same apprehension as are the Japanese. The good stand-

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ing of the one and the unpopularity of the other is due quite largely to the fact that the first mingles with Americans and makes himself a part of the American life of California. The other seeks to create and is creating a racial life of his own.

Last February, I attended a meeting of farmers called to discuss a resolution pledging landowners in that locality to refuse to lease land to Japanese. There was a considerable sprinkling of business men from the nearest town and most of the landowners were present. Japanese settlement in this area, which is a part of a melon-growing district, dated back only three years. In that time Japanese settlement had grown so rapidly that the previous year over 60 per cent of the melon crop had been grown by this race. Over 60 per cent of the melon shipments were handled by a commission firm with whom the Japanese did business. A similar growth for another two seasons would mean that the melon business would be to the white grower only a memory. The white farmers met to consider whether they would abdicate and move out or take steps to end this invasion.

When the meeting opened the discussion was entirely in favor of the Japanese. The first speaker announced he was there to "declare himself." He said he was renting land to the Japanese as a business proposition and he intended to continue to do so; that before the Japs came he was glad to get \$15 an acre cash rent, now he was getting \$40 an acre, and he owed the increase to the Japs. He further stated that before brown men came into the neighborhood, land was selling for \$100 an acre. They had offered him \$250 an acre, and he proposed to deal where he could make the most money. The land was his own. Now was his time to make hay

and so far as he was concerned the Japanese were the haymakers. It was not his business to sacrifice money to keep California white.

Other landowners made similar declarations and it looked as though Japanese leasers would dominate the discussion. A change came when an elderly farmer rose and said:

I came to this district twenty years ago. I live on the farm that I bought then and where my six children were born. They go to the country school. Three years ago all their playmates were white children. Now all the children in that school except mine and those of one other farmer are Japanese. My white neighbors who have sold or leased their land to Japanese have gone to towns. They don't come in contact with these aliens. They simply take their money. I live among them, but am not one of them. I am living there without neighbors. Last week a Japanese family moved into a house across the road in front of my home. That means more Japanese children in the school. It means that my isolation from people of my own race is more complete and I too am here to "declare myself."

My farm is for sale. It is for sale to the first Japanese who will buy it. No white man will buy for none will go into a Japanese neighborhood. When I sell, my white neighbor will leave and it then becomes a Japanese community. When that happens the trade of that community will go into new channels. I have always traded at the white man's store, put my money in the white man's bank, but the Japanese will do neither. They trade with their own race.

The farmer was followed by a member of a commission firm that handled the melons of Japanese growers. He stated at the outset that if he was to consider his own financial interests he would remain silent, but he had decided it was his duty to give his views on the Japanese land problem. As his firm handled Japanese melons he obtained for them the money to finance growing

and he knew, from being their banker, how in the short space of three years they had extended their control of melon production. He stated that with these people coöperation is an instinct, that the coöperation in that section was a continuation of their clan relation in Japan. These coöperative units usually had about twenty members. When one was in trouble the others helped him out, and it was a definite practice for those who had money to finance others and thus lift them out of the wage-earning into the employing class. He gave a score of instances where this financial help had been extended during the past season. He said that the Japanese had now secured a large enough share of the business to handle the selling of their melons in the future, that it was comparatively easy for them to make financial arrangements with commission houses in the east, and having done this they would be able to carry on as Japanese concerns.

His statement brought a complete change of sentiment in the meeting. Even the most defiant landowner realized that when the farms of that section were all under Japanese control through ownership or lease, they would be able to fix rents and land prices because white people will not go into sections dominated by Japanese. They saw that high rents were a temporary expedient to be paid long enough only to fix the status of the neighborhood as Oriental. Once this was done, there would be no further need for high rents or high prices. *The resolution was signed by every landowner.*

Previous to the movement for legislation, meetings like this were held all over California. It became evident that the voluntary action of isolated communities was not sufficient, that there were too many places where landowners were being tempted by money

profits to ignore ultimate results and were creating a situation fraught with immeasurable difficulty in the future.

The report of the Oriental problem by the State Board of Control shows that out of 3,893,500 acres irrigated, the Orientals control 623,753 acres, or about one-sixth and the Japanese alone control 458,056 acres, or about 16 per cent. This control has practically all been secured in the last ten years. The increase in acreage has been 412.9 per cent and the market value of the crops produced by Japanese has increased over tenfold, much of the work being done by hired white labor. With certain products like small fruits, they now have such a monopoly that they are able to dictate prices and control local markets.

San Joaquin County is one of the largest agricultural counties in the state. More than half of the irrigated land is controlled by the Japanese. Sacramento County has the state capital. It ought to be a permanent center of white civilization, but more than half of the irrigated land in that county is farmed and controlled by the Japanese, either as owners or lessees. The growth of their gardens and orchards in Sonoma, Santa Clara, and Solano counties is being watched by white farmers with ever increasing apprehension.

JAPANESE EVADE AND IGNORE LAWS AND PUBLIC OPINION

What makes this growth more ominous is the fact that it has occurred while the "Gentlemen's Agreement" was supposed to exclude laborers. It confers no right to own agricultural land, yet in ten years there has been over 100 per cent increase in numbers and more than half of these newcomers have flocked to the country. Farm purchases could only be made through evasion of the law passed in

1913. The Japanese have evaded it by every device which the best lawyers could invent. Japanese farmers have come to California knowing they were not wanted. They have bought land knowing it was contrary to the spirit of the law and the wishes of the people of California. In this they have shown the same spirit as in Korea and China. Yet, when these evasions became so notorious and the economic struggle so severe that white farmers sought to so amend the law as to end these aggressions, the Japanese used their thirty-nine associations and all of their influence to create sympathy for a sensitive, diffident people who were only seeking to contribute to this nation's wealth.

Nothing could be more misleading. The Japanese are crowding in here because rural California is a paradise compared to the hard conditions of agriculture in their own country. No one can blame them for trying to possess the land and the agriculture of this state, nor ought we to think it strange that the Japanese government should back them up in this endeavor by every device of its adroit, if somewhat devious, diplomacy.

The danger is that America will not understand what is taking place or realize the disaster which this migration is certain to bring if the movement is not stamped out at once. There is danger that this nation will be misled by catch phrases like "Race Equality," "Uplifting Asia" and "Personal Liberty."

In order to compete with the Japanese, the American farmer, who has to make his way by labor, must sacrifice rest, recreation and the giving of time to civic interests or the development of the higher life of a community. He must change his ideas of what is desirable in life and surrender inherited habits. Only by devoting all of the

energy of himself, his wife and children to the hard task of making a living, can he pay the rents and do the other things necessary to withstand the rural competition of the Japanese. The thing which America ought to recognize is that requiring him to do this is not an advance but a backward step in our progress and it will not be made. The American subjected to this competition will go into the cities or to other countries and the Japanese will continue to displace him as he has been displacing him during the last ten years.

These statements are made with no personal dislike for the Japanese, nor have I met with any evidence of a personal hatred toward them. On the contrary, the people of California have a high regard for their achievements, their industry and their surprising cleverness, but this does not blind the people in direct contact with them to what is going on or to the social and political dangers which are being created by this rapid absorption of farming land.

The land problem of California presents a new issue to America. The state seeks to check the immigration of people who come here for their racial and individual advantage, who seek to create little Japans with schools, newspapers, religion and language of the country they left. They bring a civilization many centuries old which they regard as superior to ours. They retain a loyalty to their own country, to its institutions and life, which prevents their becoming Americans or being assimilated into American life. Ownership of land enables them to secure these desired ends and what they have accomplished in the last ten years shows that unless something is done to check this progress, they will become the agricultural owners of California in a brief time as history runs. It is not

a question of which is the superior race or which has the better culture. The objection to the Japanese is that with their coming Anglo-Saxon culture came

in direct conflict with a Mongolian one. They can not live side by side and neither will give way to the other without a conflict.

Japanese in California

A CRITICAL EXAMINATION OF (1) REPORT OF THE CALIFORNIA STATE BOARD OF CONTROL; (2) LETTER BY GOVERNOR STEPHENS TO SECRETARY COLBY; (3) HEARINGS IN CALIFORNIA BY THE HOUSE COMMITTEE ON IMMIGRATION AND NATURALIZATION

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THE California State Board of Control at the request of Governor Stephens made a special investigation of the Japanese in California. Its report (of 225 pages) was issued June 19, 1920. The Governor conveyed it to the Secretary of State, Honorable Bainbridge Colby, with a covering letter of the same date. This letter forms the introduction to the volume containing the report.

The House Committee on Immigration and Naturalization held Hearings in California on the Japanese question, beginning in San Francisco July 12, continuing in other California cities, and concluding in the state of Washington. No official report of these Hearings has been published. They were, however, public meetings. Mr. R. W. Ryder has furnished the writer with an abstract and résumé of the proceedings covering 104 pages, parts of the testimony being given verbatim.

¹ Also Secretary, Commission on Relations with the Orient of Federal Council Churches of Christ in America since 1914. Author of: *Evolution of the Japanese, Social and Psychic* (1908), *The White Peril in the Far East* (1905), *The American-Japanese Problem* (1914), *Working Women of Japan* (1915), *America and the Orient* (1916), *Anti-Japanese War-Scare Stories* (1917), *American Democracy and Asiatic Citizenship* (1918).—THE EDITOR.

The report of the Board of Control, the Governor's letter and the Hearings played a significant rôle in the California vote on the referendum Land Law. They will long be regarded as authoritative statements of the situation. An impartial and critical examination of their real character and value is desirable.

SOME SURPRISES

"The Japanese in Los Angeles are well housed and my reports say that they respond quickly to orders or suggestions from the authorities as to improvements or changes in their houses. Indeed, they are often more satisfactory in this regard than the lower class of Americans."

"One very noticeable feature in a Japanese labor camp where both American and Japanese laborers are employed is that the quarters provided for Japanese are generally better than those provided for the Americans. . . . Our experience with Japanese labor camp operators is that they will make any improvements necessary."

These two quotations are taken from the official reports to the Board of Con-

trol, the first by Mrs. A. S. Calhoun, District Representative of the State Commission on Immigration and Housing, and the second by Mr. Edward A. Brown, Chief Sanitary Engineer, of the State Commission on Immigration and Housing.

GENERAL CHARACTER OF THE REPORT

The foregoing quotations show that the report seeks to be perfectly fair. Facts favorable to the Japanese are found in many sections of the report.

Governor Stephen's letter of instruction to the State Board of Control stated that the purpose of the report was not merely to provide the California State Legislature with "reliable information" and "authenticated facts," but that this report would also be presented to the Congress of the United States with a view to securing from Congress the remedial legislation needed.

The State Board of Control in submitting its report stated that since its "instructions call for facts only, this Board has not drawn any conclusions or suggested any remedies."

A rather careful reading of the report has impressed the writer of this paper with the fact that the Board has succeeded remarkably well in presenting the bare objective facts and in excluding opinions, assertions and adjectives showing prejudice or ill-will. A sharp eye can indeed detect an occasional slip, a bit of special pleading and an effort to create an opinion, but they are remarkably rare for a document prepared in California during the stress of a heated campaign, with a view to securing legislation circumscribing very narrowly the privileges of the Japanese.

THE HIATUS BETWEEN THE REPORT AND THE GOVERNOR'S LETTER

Probably the most amazing feature

of the volume is the non-sequitur between the facts given in the report and the argument made by Governor Stephens.

The report deals with questions of population, of land ownership and leases, the financing of Japanese enterprises, the fishing industry, labor, corporations, "picture brides," the "Gentlemen's Agreement," smuggling, citizenship and schools. Nowhere does it consider such other important questions as the Japanese crime record, alleged prostitution, gambling, illiteracy, knowledge of English, assimilability, Americanization and intermarriage.

The Governor devotes less than a page of his letter to the material presented in the report. He brushes aside the economic consideration as comparatively irrelevant, and focuses his full force on the alleged "non-assimilability" of the Japanese. According to his statement, the ground of objection to the Japanese is hardly if at all due to their economic competition, as Senator Phelan, State Senator Inman and others have insisted, but is due absolutely and unqualifiedly to race difference.

The change of atmosphere between the cool statement of fact in the report and the impassioned assertion of race feeling in the letter is impressive. Indeed, this letter is so different from the documents and papers that we are accustomed to see from the hand of the Governor, that one is forced to wonder whether the letter was in fact written by him. Was it not prepared by someone in his staff—for instance, by Mr. Marshall De Motte, Chairman of the State Board of Control, or Mr. John S. Chambers, State Controller and also Chairman of the "Japanese Exclusion League of California?"

THE GOVERNOR'S CHIEF CONTENTION

Governor Stephens, in a gracious paragraph, makes "full recognition of the many admirable qualities of the Japanese people. We assume no arrogant superiority of race or culture over them. . . . We join with the entire civilized world in our admiration of the tremendous strides which the Japanese nation has made in the last two generations, unparalleled as its career is in the history of nations."

But he goes on to say: "This problem of ours is not an insignificant one. . . . It has nothing to do with any pretensions of race superiority, but has vitally to do with race dissimilarity and unassimilability. . . . The people of California are determined to repress a developing Japanese community within our midst. . . . This determination is based fundamentally on the ethnological impossibility of assimilating the Japanese people. . . . We can not feel contented at our children imbibing their first rudiments of education from the lips of the public school teacher in classrooms crowded with other children of a different race. They do not and will not associate in that relationship prevalent elsewhere in the public schools of this country. We recognize that this attitude is too deep-seated to remove. And we recognize that with this attitude goes the necessity of Japanese isolation and that inevitable feeling which socially a prescribed race always feels."

Several pages are devoted to reiterations of this theme. The language is emphatic and the position well defined, though no attempt is made to state just what assimilation is. He implies that it could take place only by intermarriage, "blood fusion" which, however, is "impossible." He closes with the affirmation that the action of California is "based entirely on the princi-

ple of self-preservation and the ethnological impossibility of successfully assimilating this constantly increasing flow of Oriental blood."

THE GOVERNOR'S PROGRAM

After reviewing the recent history of California's legislation and her delay in passing a law in 1919, due to the request of President Wilson because of certain international relations, Governor Stephens refers to the "initiative measure" forbidding to Japanese land ownership and the leasing of land, which land law he says "can not legally prevent Japanese control of our soil nor can it stop further immigration." These are matters that only action by the Federal Government can secure. He therefore appeals to the Secretary of State "to use his good offices with the Empire of Japan that stricter provisions be immediately agreed upon, making impossible any further evasion or violation of the spirit of the present arrangement."

He also says that "the full solution of this question can not be had short of an exclusion act passed by Congress. It is my purpose . . . to communicate the information to our various Representatives and Senators in Congress that they may then be equipped to take up the cause of California and urge the passage of an exclusion act effectively disposing of this difficulty." The Governor defines somewhat in detail the kind of law which in his opinion is needed. It amounts virtually to the application to Japanese of the laws which we now have for dealing with the Chinese.

In view of these statements we know what to expect. Whatever revamping of the "Gentlemen's Agreement" the Department of State may secure from Japan, the policy proposed by the Governor is to enact as soon as possible a stringent exclusion act to take

its place. That exclusion act may be identical with the Chinese exclusion act, or it may be the adoption of the proposal by Senator Phelan to include Japan in the "geographical zone" from which zone by the present law all non-Caucasian immigrants are excluded.

The effect on Japan of either plan can be forecast without particular difficulty.

THE GOVERNOR'S FUNDAMENTAL POSTULATES

The fundamental postulates of the Governor's position are (1) that Japanese are absolutely unassimilable, (2) that the Japanese Government has been "violating" the "Gentlemen's Agreement" and (3) that if his proposals for the rigid stoppage of Japanese immigration are adopted there will be no increase of the Japanese population in California and the perennial American-Japanese problem will be solved.

What light do the Report and the Hearings throw on these assumptions? Are they well founded?

ARE JAPANESE NON-ASSIMILABLE?

The report does not discuss the question. This would seem to be a serious failure, for it is the most important issue in the whole problem. What constitutes assimilation in the case of Italians for instance or Jews, or Poles and Russians? How long does it take? Do foreigners become loyal Americans only by intermarriage?

If Europeans can become loyal Americans by education, if they become enthusiastic supporters of our ideas and ideals of life and democracy and coöperate with us in making our democracy a real success, then may not Japanese do likewise? What are the facts? This is a matter for objective investigation.

EXPERT TESTIMONY

"I have found no trouble in the mixing of Japanese and Americans in the various social functions of eight public schools." This sworn testimony was made to the House Committee on Immigration in Stockton July 16, 1920, by Mrs. J. S. Woodruff. For two years she has been employed by the State as Americanization teacher, working mostly among the Japanese. She also declared "that her work took her into the Japanese homes and that she had found the Japanese to be honest, loyal, industrious and public spirited. . . . She believed that there could be full social and intellectual assimilation of the Japanese."

"The Japanese children are bright, studious and easily disciplined. . . . I know of no trouble on account of Japanese and Americans attending the same schools. . . . The Japanese high school students are particularly good students." This was the sworn testimony of Mr. John Anderson, Superintendent of Schools for San Joaquin County. He stated that in the county schools there were 12,016 male and 10,574 female pupils, of whom 616 and 453 respectively were Orientals.

Mr. C. B. Hart testified under oath that "he had sold goods to the Japanese to the extent of \$200,000 per year, and had found them to be trustworthy and thoroughly satisfactory patrons. He had given them credit and his experience with them had been decidedly pleasant."

Mr. M. Kumora, a Japanese, testified under oath that "he had thirty Japanese Boy Scouts under his direction. . . . It was his highest desire to become a good and useful American citizen."

Mr. George Shima, the so-called "Potato King" gave sworn testimony

to the effect that he and his family had long been members of the Methodist Episcopal Church and "that the one thing he most desired was to become an American citizen." In response to questions he stated that "he had purchased one hundred and eighty thousand dollars' worth of Liberty Bonds, had given liberally to the Red Cross and other war charities and had recently donated the sum of forty thousand dollars toward a fund to erect at Stockton, California, a memorial to those sons of San Joaquin County who gave their lives in the late war."

The Hearings of the House Committee on Immigration contains a large amount of testimony of the kind quoted above. Of course it also contains the customary assertions of absolute non-assimilability, by such witnesses as Senator Phelan, Mr. McClatchy and others. Quotations need hardly be made since their assertions have been given wide circulation. Manifestly the question is not quite so simple and the opinions are not quite so unanimous as the Governor's letter assumes.

THE ALLEGED VIOLATION OF THE "GENTLEMEN'S AGREEMENT"

The report devotes ten pages to its exceedingly valuable statement in regard to the "Gentlemen's Agreement." In this section it fails somewhat in maintaining its fine attitude of cool and clear objectivity. It begins indeed by exonerating Japan and by saying that "the real ground for complaint" is with American diplomacy that made the agreement and with the Bureau of Immigration, in failing to see that it is faithfully administered.

The report (p. 163) points out that the right "to join a wife" in America as provided in the agreement has been misinterpreted as equivalent to the

right of a Japanese wife in Japan "to join a husband" in America. This argument is unconvincing; for the first printed statement of that agreement contains the words, "so that the three classes of laborers entitled to receive passports became known as 'former residents,' 'parents, wives or children of residents,' and 'settled agriculturalists.'"

The report (p. 164) brings out the fact that in 1915 (according to Professor Ichihashi) there were 20,000 "farm hands" and then asks, "How do these laborers get here?" The unsuspecting reader will infer that they get here by some evasion of the agreement, whereas the fact is that they were already here when the agreement went into operation.

Statistics are presented (p. 169) giving the "Excess of Immigrant Aliens Admitted over Emigrant Aliens Departed, July 1, 1909 to June 30, 1919." These figures show that the total number entering Continental United States was 36,989, of whom 23,708 or 64.1 per cent settled in California. A reader not expert in immigration statistics will assume that in spite of the agreement a very considerable immigration to California has been going on. A full statement of the statistics does not warrant the assumption.

The expert well knows that the technical distinction between "immigrant" and "non-immigrant," "emigrant" and "non-emigrant" has little if any practical value. To get at the real situation we must deal with all arrivals and all departures. When we do this we find that for the ten years under discussion (July 1, 1909 to June 30, 1919) the total excess is 10,968 instead of the 36,989 given in the table. If 64.1 per cent settled in California (as the report states) the increase of Japanese population in

California by excess of arrivals over departures was 7,030 instead of 23,708 as claimed by the State Board of Control.

This error in the calculations of the California State Board of Control is so significant that the difference may well be given in tabular form.

Increase of Japanese population in California by excess of "immigration" over "emigration"	23,708
Actual increase by excess of "all admittances" over "all departures"	7,030

Over calculation of increase by the Board	16,678
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These 16,678 are regarded as still resident in California although as a matter of fact they have left the country.

But it may be asked if even this amount (7,030) of immigration is not evidence of violation of the agreement. The reply is to be found by analyzing what kind of individuals are included in this figure (7,030). Analysis of all arrivals shows that during the ten years covered by the table the number of Japanese admitted to Continental United States as "wives" was 24,298 and as "children" 10,417. If 64.1 per cent settled in California the figures for each group are 15,575 and 6,677 respectively. Their sum is 22,252. If now we assume that all the "wives" and "children" who entered California during the ten years have remained there (none going to Washington, Oregon or to any other state), since the total increase of Japanese population in the state was 7,030, we shall have to assume that 15,222 Japanese who were in California July 1, 1909 departed during the subsequent ten years.

A careful study of the facts, therefore, does not seem to substantiate the Governor's view or the implication of the report that there has been any serious violation of the agreement.

THE ALLEGED ADMISSION OF LABORERS WITHOUT PROPER PASSPORTS

The report calls attention to the admission of 825 laborers without proper passports and to 585 other persons who had passports but were "not entitled" to them. If these are indeed the facts, then the Bureau of Immigration has failed to do its duty. Such failure can not be charged to the Japanese Government. Careful examination of the annual reports and of the usages of the Bureau of Immigration makes it clear that those admitted "without proper passports" are admitted under bond to go through America to the countries to which their passports admit them.

JAPANESE POPULATION IN CALIFORNIA

The report seeks to determine the Japanese population of California. It begins with the Japanese population according to the United States Census of 1910. It then adds the "immigrants" and births, and subtracts the "emigrants" and deaths, reaching the conclusion that the Japanese population in California December 31, 1919 is 87,279. But it states on the following page (p. 27) that of these, 5,000 children are in Japan "for the purpose of completing their education."

In order to get an independent estimate, the Board asked the Japanese Association of America to take a special census of its own. The result (given on p. 165) shows that there were in California 78,628 Japanese, of whom 15,539 are stated to be women and 18,191 to be children (under 17 years of age). A discrepancy of 3,651 thus appears between the Board's estimate and that of the Japanese.

If the Board's figures are correct then the Japanese population in California has increased by "immigration" over "emigration" to the extent of 25,592; and if this is the case, since the

total increase for the whole country is calculated by the Board to be only 14,719 (p. 30) it follows that the Japanese population in the rest of the country has diminished by 10,873.

The report has, however, fallen unwittingly into serious confusion and error. To the figures (p. 29) of the Census of 1910 for the Japanese population in Continental United States (72,157), excluding Hawaii, it has added the "immigration" into the whole of the United States (including Hawaii) from April 15, 1910 to June 30, 1919 and to this it then adds arrivals in San Francisco only for six months more, giving a total of 150,540 and it then subtracts a similarly confused sum of "emigrants" from the United States (including Hawaii) and from San Francisco for six months, which is given as 63,664. This figure, however, is clearly erroneous, the total "emigration" for the period being only 14,548. It concludes that the Japanese population in Continental United States has increased through excess of "immigration" over "emigration" by 14,719 (p. 30). This confusion causes the result to have no meaning whatever.

The facts are these for United States (including Hawaii):

1. Total "immigration" April 1, 1910 to Dec. 31, 1919.....	80,186
Total "emigration" April 1, 1910 to Dec. 31, 1919.....	14,548
Increase by excess of "immigration" over "emigration".....	65,638
2. Total Japanese admitted April 1, 1910 to Dec. 31, 1919.....	116,627
Total Departed April 1, 1910 to Dec. 31, 1919.....	90,342
Increase by excess of admittances.	26,285

That is to say, when we deal only with "immigrants" and "emigrants" we conclude that Japanese in America (including Hawaii) have increased by 65,638, whereas if we deal with all

admitted and all departed we find that the actual increase is only 26,285. The former method, which is the one used by the California State Board of Control, would require us to assume that 39,353 Japanese are still in the country who have in fact departed.

Instead of the population of the rest of the states having diminished by 10,873 as the Board infers (p. 30), the Japanese population in those states has increased by 14,408, if we deal only with the misleading figures of "immigration" and "emigration." The Annual Reports of the Commissioner General of Immigration do not permit us to estimate accurately the Japanese population in each state.

It is open to question, however, whether even the Japanese "Census" is really accurate. We do not know whether that census was an actual count or consisted largely of local estimates. The writer calculates the Japanese population in California, December 31, 1919,¹ to be 72,518. This figure is secured as follows:]

Excess of Admittances over Departures from Continental United States April 1, 1910-December 31, 1919.....	16,898 ¹
Proportion who went to California (64.1 per cent).....	10,831
(see State Board Report, p. 169)	
Increase by Births over Deaths....	20,331
(see State Board Report, p. 25)	
Japanese Population in California Census 1910.....	41,356
Japanese Population in California December 31, 1919.....	72,518

If it be true that 5,000 of the Japanese children have returned to Japan for study, then the Japanese population in California should be about 68,518,

¹This figure is secured by adding to the sum of the figures given in the Annual Reports of the Commissioner General of Immigration for the years 1911-1919 one-quarter of the figure for the year 1910 plus one-half of the figure for 1919, namely 15,966 - 606 + 1,538. 

which is 10,110 less than the Japanese estimate, and 13,761 less than the estimate of the Board.

The Census Bureau reports (November 17, 1920) the Japanese population in California to be 70,196, which adds confusion to the already confused situation. If the Census of 1910, the records of the Bureau of Immigration as to arrivals and departures of alien Japanese and the California State Records as to births and deaths are correct, and if the ratio of those who go to California (64.1 per cent) is correctly estimated by the Board and if 5,000 Japanese children have been sent back to Japan for study, then the Japanese population of California ought to be approximately 68,518.

When the census was taken in January, 1920, charges were made that Japanese in some places avoided being recorded. This may be true. The Census of 1910 may also not have been correct. Statistics published by Japanese in 1912 claimed a Japanese population in California of 54,980. The birth and death records of Japanese in California are in all probability not complete. The estimate of 5,000 children returned to Japan appears to be a vague guess rather than an estimate based on figures.

The net result of this investigation is that the facts are far from clear. We shall probably be fairly safe if we regard the Japanese population in California as somewhere between 70,000 and 80,000. The recent census figures are so important that they are added as an appendix.

In order that the true state of the case in regard to Japanese population in California may be kept clear, it is to be remembered that the total population of the state has increased during the last census period by 1,048,987, while that of the Japanese (accepting their figures as more reliable) has been

37,472. The Japanese increase, therefore, would be 3.6 per cent of the entire increase. The population of the state (January 1, 1920) is 3,426,536 while the Japanese population is 78,628 or 2.3 per cent.

In the light of these facts the talk of the "Hawaiianization of California" is not very impressive.

THE ALLEGED EXTRAORDINARY JAPANESE BIRTH-RATE

Governor Stephens states that "the fecundity of the Japanese race far exceeds that of any other people that we have in our midst." Senator Phelan testified before the House Committee on Immigration in September, 1919 that every Japanese "picture bride" has a child within a year after landing. Mr. McClatchy testified before the Senate Committee on Immigration September 25, 1919, that "the birth-rate among the Japanese is five times as great per thousand as among the whites," and "that picture brides usually give birth once a year, or nearly once a year to children"—and that this is one of the ways "by which Japan deliberately and carefully (sic) violates the 'Gentlemen's Agreement'!" The *Los Angeles Times* well set forth the popular belief and anxiety over the situation in its prophecy that "if the present birth-rates were maintained for the next ten years there would be 150,000 children of Japanese descent born in California in 1929 and but 40,000 white children. And in 1949 the majority of the population of California would be Japanese, ruling the state."

Mr. John S. Chambers, Controller of the state of California, in a statement issued by him October 29, 1920, as Chairman of the "Japanese Exclusion League of California" says that "the Japanese birth-rate in California is three times that of the whites, al-

though the proportion of adult females among the Japanese is less than one-third that among whites." (Just what does this statement mean? Would the Japanese birth-rate be nine times that of the whites if the number of adult females were equal?)

The Report of the State Board of Control effectually disposes of all these hysterical fables. It shows that in 1910, 313,281 white women between 15 and 45 years of age had 30,893 children, which is a fecundity rate of 9.9 per cent, while in 1919, 15,211 Japanese women had 4,378 children, which gives a rate of 28.8 per cent. This would show that the Japanese birth-rate is 2.9 times that of the whites. The report quite fairly calls attention to the fact that if Japanese and white women of the same "social, economic and intellectual status" were compared, "the disparity would undoubtedly be less marked" (p. 41). It also points out that a high birth-rate "is not infrequently true of a new people immigrating to a new land" (p. 37). Since the Board did not isolate for study the Italian, Mexican, Armenian and other peoples recently entering California in considerable numbers, it is hardly scientific for it to say that "the Japanese birth-rate is far in excess of that of all other nationalities in the state."

In the state of Massachusetts in 1910 the birth-rate of the white native stock was 14.9 per thousand while that of the foreign born of all nationalities was 49.1. The Japanese birth-rate on the basis of a population of 78,628 would be 55.6 per thousand. The birth-rate of Japanese in Japan has varied between 28.6 and 33.7 per thousand during the years 1889 to 1913.

The Board's figures, however, for the fecundity rate of white women (9.9) as quoted above is not quite fair to the Japanese, for that rate is based

on a birth record that is palpably defective. The California State Board of Health Report for 1918 (p. 192) gives the birth-rate per thousand for each year from 1906 to 1917. That rate rises from 10.3 to 17.2. The inference to be drawn from this is that the records are increasingly perfect, rather than that the rate has actually increased. In 1910 the official birth-rate was 13.4 per thousand. The actual birth-rate was doubtless higher. To compare a defective birth record for whites with an almost perfect birth record for Japanese of course makes the difference between the two more marked than it really is.

But the most convincing reply to the excited fable mongers is the Report of the State Board of Control (pp. 147-155) as to the number of "picture brides" admitted in 1918 and the number of their children. The name of each bride, of the steamer on which she arrived, of her husband and his address, and of the date of the birth of her child are all recorded. The period begins January 4, 1918 and ends February 29, 1920. The number of "brides" named is 524; the number of children born in those two years and two months is 182. That is to say, only 34.8 per cent of the brides became mothers in that period. How many American brides would become mothers in a similar length of time after marriage?

JAPANESE LAND OWNERSHIP IN CALIFORNIA

This has for years been one of the questions most heatedly debated. It has been repeatedly charged that the Japanese were buying up the best lands in the state. The Governor says that "the increase in acreage control within the last decade has been 412.9 per cent" and the value of the crops "approximately ten-fold."

The report gives statistics of land owned and leased by Japanese in each county in California and also the total acreage of irrigated land. It shows that Japanese own 74,769 acres; this is six-tenths of one per cent (.006) of the total amount of cultivated land (11,389,894 acres). "Farm lands" still "unimproved" remain to the extent of 16,541,550 acres.

Japanese lease, in addition, 383,287 acres which is 3.3 per cent of the cultivated land and 10 per cent of the irrigated land.

Attention is drawn (p. 49) to the great increase in eleven years in the value of the crops raised by Japanese. The increase is stated to be from \$6,235,856 to \$67,145,730, an increase of 976.8 per cent. This is somewhat misleading because no indication is given of the corresponding increase of the crops raised by white farmers. The Census of 1910, however, gives the total of California's crop value in 1909 as \$153,111,013, while the Board Report gives it for 1919 as \$507,811,881, an increase therefore of 331.6 per cent.

The increase in the value of the crop raised by Japanese is not correctly presented. According to the California Commissioner of Labor's special investigation and report in 1909, the total value of the crops raised on farms, where Japanese alone and Japanese and white joint labor was involved, was \$28,000,000 and the statement is made that one-half of this (\$14,000,000) was the product of Japanese labor. A more accurate statement of the increase of Japanese crop value would, therefore, be from \$14,000,000 to \$67,145,730, or 479.5 per cent, instead of the 976.8 per cent. The comparative increase in eleven years, therefore, is 331.6 per cent for the entire state and 479.5 per cent for Japanese crop values.

The statement by the Governor, that "within the last ten years Japa-

nese agricultural labor has developed to such a degree that at the present time between 80 and 90 per cent of most of our vegetable and berry products are those of Japanese farms," is not supported by the report. Figures are given (p. 103) of the percentages for the different crops. Only in the case of berries is the proportion more than 80 per cent. "Nursery products" are 58 per cent; grapes, 52 per cent and vegetables 46 per cent. Practically these same percentages were reported for the year 1909 by the California State Labor Commissioner, J. D. Mackenzie. The report offers no evidence to show that there has been any significant increase during the decade as alleged by the Governor.

FOREIGN LAND OWNERSHIP IN JAPAN

The report contains a valuable survey of the land laws of a number of states and also of Japan. While the Governor makes no reference to this question, it has played a prominent part in the public discussion. Much ignorance is displayed on the matter by men who are usually well informed on matters of which they speak.

In this brief examination of the report we can quote only the following significant sentence: "A so-called superficies title may be secured in all parts of Japan, save what may be called colonial areas, running for any number of years. Many such titles now current run for 999 years, and so far as appears they might run for 5,000 years. These titles give as complete control over the surface of the land as fee simple title would do" (p. 68).

It is surprising to find, four pages further on, the following contradiction of the above quotation. "Japanese law, like the Alien Land Law of California prohibits aliens from owning land in fee, but permits leaseholds for varying terms of years, confined to

industrial and residential purposes—no agricultural lands leased.”

This statement is erroneous. The California Land Law is discriminatory while that of Japan is not. The California law does not prohibit all “aliens” from owning land, but only a certain class of aliens—“aliens ineligible to become citizens,” namely, Japanese and Chinese. Any foreigner can take a superficies lease, practically equivalent to fee ownership, for any kind of land, including agricultural land. To say that the two laws are alike is quite aside from the truth.

THE QUESTION OF “DUAL CITIZENSHIP”

The section of the report dealing with citizenship touches upon one of the difficult problems in the relations of America and Japan. The translations of documents and the letter by Dr. Martin provide a student with material of the highest value.

The Japanese Government will no doubt consider the points raised, especially with regard to expatriation of children born in America.

The report does not adequately bring out the fact that the difficulty between America and Japan is created by American customs and laws, rather than by those of Japan. America is the only nation in the world that regards all children born within its territory as citizens by birthright. At the same time America regards children of American citizens, though born in Japan or elsewhere, nevertheless, as American citizens. The title of the section “Once a Japanese, always a Japanese” (p. 182) is not fair to Japan. There can be no question but that a frank conference between the American and Japanese governments about the difficulties due to their conflicting laws and customs is urgently needed with

a view to finding a real solution agreeable to both.

The British Embassy at Washington, replying to an inquiry by the writer, states that “children of British parents, born during their residence in America, are regarded by the British Government as British citizens. . . . Such children will not be regarded as United States citizens unless and until they have taken the usual steps by taking out papers to acquire American nationality.”

The paragraph of the report on “Future Voters” should cause both Americans and Japanese to give heed. If Japanese parents desire that their American-born children shall be American citizens they should not send them back to Japan to be reared and educated there. Such Japan-reared Japanese young people, though legally Americans, will be quite unfit to discharge their duties as American citizens.

THE JAPANESE SCHOOL QUESTION

The section of the report entitled “Schools” is disappointingly brief, less than a page and a half. There is no more important approach to the Japanese problem as it is and will continue to be through the decades, than through the school.

The problem of the Japanese language schools is apparently being allowed to drift as was the case in the Hawaiian Islands. A wise policy in regard to them is much to be desired—a policy of proper supervision and regulation.

The writer deeply regrets that the Board of Control did not read the writer’s pamphlet on the American Japanese Problem in Hawaii from which it quotes a paragraph. If it had, it would hardly have used a single sentence quite out of its connection,

which in its connection is quite correct, but wholly misleading when isolated.

JAPANESE LABOR

This report gives much valuable and interesting information on the question of Japanese labor. It appears that "there are probably more white laborers working for Oriental farmers than there are Oriental laborers working for American farmers" (p. 101). White men evidently will work for and with Japanese—an affirmation quite contrary to energetically cultivated popular opinion. Japanese, moreover, do not employ their own people exclusively. This explodes another popular opinion.

It appears that "sufficient American farm labor can be readily secured, provided comfortable housing, substantial food properly served and some opportunity for recreation is provided upon the farms" (p. 106). This is the experience of the Valley Fruit Growers' Association of Fresno, with a white membership of 3,000.

The report calls attention to the fact that since Japanese raise so large a proportion of the "food products practically indispensable to the States' daily supply," \$67,000,000 worth, "any sudden removal of the Japanese would be unwise" (p. 104). No suggestion, however, is offered as to how that "sudden removal" is to be avoided upon the enactment of the new drastic land law.

OTHER FEATURES OF THE REPORT

The report of the State Board of Control deals informingly with several other features that can not be considered in this brief examination. Japanese enterprises, for instance, secure financial aid from American banks, as does also the Japanese fishing industry. "Smuggling (of laborers) across the Mexican border is carried on success-

fully and doubtless to a large extent." This sentence is quoted from the report of the Commissioner General of Immigration. The state authorities furnish no original information on the subject.

The desire of the Board to give a fair report is well shown by the Appendix which contains two valuable monographs by Japanese. One is the *Memorial Address Presented by the Japanese Association of America to President Wilson When He Visited San Francisco September 18, 1919*. The other is an article on Japanese Farming in California by T. Chiba, Managing Director of the Agricultural Association of California. Both are well written and full of highly valuable information.

HEARINGS IN CALIFORNIA AND WASHINGTON OF THE HOUSE COMMITTEE ON IMMIGRATION AND NATURALIZATION

The summary abstract of these Hearings shows that so far as the chairman and members were concerned effort was made to be thoroughly fair and to secure reliable information. From the nature of the case many conflicting opinions were expressed. Japanese witnesses were called in freely and also friends of the Japanese. So likewise were their bitterest critics. In California sixty-six witnesses were heard, and in Washington thirty-eight.

Senator Phelan and Mr. McClatchy testified at great length. Several witnesses had prepared carefully written statements and even extensive documents which were submitted without being read. Senator Phelan repeated his familiar charges of violation of the "Gentlemen's Agreement," of large land purchasing and of smuggling.

On a previous page a few sentences were quoted from witnesses favorable to the Japanese. These could be

largely multiplied. Many surprising statements of good will and fine relationships were made. Mr. Kanzaki stated that "the California State Commission on Immigration and Housing published pamphlets giving instruction as to American customs and manners in every language save the Japanese." Colonel Irish stated that "he had transacted several million dollars' worth of business with the Japanese and had never had one of them break his word or violate his contract." Mr. McClatchy admitted, on being questioned, that "his experience excluded any contact with prominent Japanese."

Practically none of the witnesses thought further Japanese immigration desirable. The chief difference between the pro-Japanese and the anti-Japanese seemed to be that the former desire to see absolute equality of treatment and fair play granted to those Japanese who are already here, while the latter would like to have drastic race-differential laws passed, humiliating in character and economically repressive.

Many witnesses insisted that the Americanization of Japanese is actually going on fairly well in spite of adverse circumstances. Many, on the other hand, insisted that Americanization and real assimilation is impossible without intermarriage, but that this is intolerable to think of.

Dr. Palmer, pastor of the Union Church in Hawaii, for many years a resident in California, testified as to the situation in Hawaii. "California has no idea how thoroughly Americanized the Japanese in Hawaii have become."

THE NEW ANTI-ALIEN LAND LAW

Governor Stephens says in his letter that the state "will and should, in my (his) opinion, by an overwhelming majority, enact the proposed initiative

legislation." His desire was fulfilled. It was adopted by a vote of 666,483 to 222,086. The chief surprise in this vote was the size of the opposition.

This group doubtless believes with the rest that there should not be further immigration from Japan but it does not believe in humiliating and economically repressive legislation. They wish to prevent a "new race problem" by fair play and honorable treatment and full Americanization of all Japanese who are now here.

The report of the State Board of Control contains a copy of the then proposed—now adopted stringent law. It forbids all leasing of agricultural land to "aliens ineligible to become citizens of the United States." Such aliens may not form corporations entitled to purchase or lease such land, nor may they buy shares or stock in corporations entitled to acquire or own such land. The guardians of children whose parents are Japanese or Chinese, in whose name agricultural land is owned or bought, are to be appointed by the courts.

A COMING DISAPPOINTMENT TO CALIFORNIA

Governor Stephens implies, and practically all the anti-Japanese agitators affirm, that if a rigid law is passed forbidding further Japanese immigration, the Japanese population in California will dwindle away, as the Chinese has, and finally disappear as a problem. This is what California has been led to expect.

This expectation is practically certain to be unrealized. The Japanese situation today is wholly different from that of the Chinese in 1882 when their immigration was stopped. Few Chinese women entered the United States either before that date or since. The annual births of Chinese in California for ten years has averaged only 374.

The Chinese population in California December 31, 1919 is estimated by the Board as 33,271—the decrease in ten years having been 2,977.

The average Japanese laborer in California, unlike the Chinese but like the European, is eager to establish his home here. This is the reason why so many Japanese women have been coming to America. Japanese labor immigration was stopped in 1907. But the men then here have established families to the extent of about 15,000. There still remain between 20,000 and 25,000 unmarried men. The recent decision of the Japanese Government to stop granting passports to young women coming to join husbands in America, whom though legally married they had not met in Japan, will retard somewhat the increase of Japanese families in California, but is not likely to stop it. Prosperous Japanese men can return to Japan for a visit, get married and return with their wives. In case that is stopped it would seem altogether probable that they would go to Hawaii and find American-born wives.

But however that may be, the number of Japanese families in California is already large enough to insure a permanent and a growing Japanese population. The births recorded for the three years 1917, 1918 and 1919 respectively were 4,108, 4,365 and 4,378.

The enactment by Congress of a drastic Japanese exclusion law is to be expected in the near future. It will be obnoxious and humiliating to Japan because of her consciousness of having faithfully administered the "Gentlemen's Agreement" during the past twelve years. Its results will be disappointing to California because it will not make any marked diminution in the number of Japanese in California. On the contrary that population is certain to grow.

Misrepresentations as to the past and false expectations as to the future are likely to be taken advantage of by unscrupulous politicians to start renewed agitation a few years hence by which again to gain personal and party advantage.

APPENDIX

THE UNITED STATES CENSUS 1900, 1910 AND 1920

The Bureau of the Census issued November 16, 1920 a preliminary announcement of a few figures in regard to the Japanese population in the states of California, Oregon and Washington and in the territory of Hawaii. We give these figures in tabular form and call attention to some of the surprising facts disclosed.

1. The total population of California increased from 1,485,653 in 1900 to 2,377,549 in 1910 and to 3,426,861 in 1920. At those same dates, the Japanese population numbered respectively 10,151, 41,358 and 70,196. Stated in percentages the Japanese population constituted 0.7 per cent, 1.7 per cent and 2 per cent of the total population in 1900, 1910 and 1920 respectively. The point to be noted is the large increase of the general population.

2. In Hawaii, the Japanese population constituted 39.7 per cent of the total population in 1900; 41.5 per cent in 1910, and 42.7 per cent in 1920, the figures being 61,111, 79,675 and 109,269 respectively. In other words, the relative increase of the Japanese population has been very small indeed.

3. The Japanese population in California showed an increase of 307.4 per cent between 1900 and 1910, immigration having been free until 1908; while during the decade between 1910 and 1920 the increase was 69.7 per cent, consisting chiefly of women and children.

4. The proportion of Japanese males to females in California in 1900 was 94.6; in 1910 it was 84.9 per cent and in 1920 it was 63.2 per cent. In Hawaii the proportion of males to females at the three dates was respectively 77.7 per cent, 68.8 per cent and 57.3 per cent.

	CALIFORNIA		OREGON		WASHINGTON		HAWAII	
	<i>Figures</i>	<i>Per Cent</i>	<i>Figures</i>	<i>Per Cent</i>	<i>Figures</i>	<i>Per Cent</i>	<i>Figures</i>	<i>Per Cent</i>
<i>Census 1920</i>								
Total Population of State.....	3,426,861	98.	783,389	99.5	1,356,621	98.7	255,912	57.3
Japanese Population	107,016	2.	4,022	0.5	17,114	1.3	109,269	42.7
Males	44,364	63.2	2,722	67.7	11,173	65.3	62,643	57.3
Females	25,832	36.8	1,300	23.3	5,941	34.7	46,626	42.7
<i>Census 1910</i>								
Total Population	2,377,549	98.3	672,765	99.5	1,141,990	98.9	191,909	58.5
Japanese Population	41,358	1.7	3,418	0.5	12,929	1.1	79,675	41.5
Males	35,116	84.9	3,124	91.4	11,241	86.9	54,784	68.8
Females	6,240	15.1	294	8.6	1,688	13.1	24,891	31.2
<i>Census 1900</i>								
Total Population	1,485,053	99.3	413,536	99.4	518,103	98.9	154,001	60.3
Japanese Population	10,151	0.7	2,501	0.6	5,617	1.1	61,111	39.7
Males	9,598	94.6	2,405	96.2	5,432	96.7	47,508	77.7
Females	553	5.4	96	3.8	185	3.3	13,603	22.3
<i>Increase of Japanese Population</i>								
1910-1920.....	28,840	69.7	604	17.7	4,185	32.4	29,594	37.1
1900-1910.....	31,205	307.4	917	36.7	7,312	130.2	18,564	30.4

Racial Prejudice Un-American

By REV. M. A. MATTHEWS, D.D., LL.D.

Pastor, First Presbyterian Church, Seattle, Washington

THE problem presented by the California agitation against the Japanese is not one of righting the wrong done the Japanese but the one of protecting the honor and name of America. Therefore, this discussion is not pro-Japanese but extremely pro-American. Consider the following facts:

1. Japan has not broken faith nor

treaty with America since Admiral Perry first established friendly relationship between America and Japan. Can we afford to be the first to break?

2. Japan has not broken the faith of the "Gentlemen's Agreement" established by our revered Theodore Roosevelt. Can we be the first to abrogate it?

3. Her people are here under treaty rights and agreements, and were by us thereby invited to come. Can we afford to be the first to ignore those rights and insult our guests or exploit their labors? They were invited to Hawaii to aid the sugar planters. They were permitted to acquire property in our Pacific Coast states under the laws of said states. They did not force the land from the people. They did not acquire it by condemnation or confiscation, but they went into the market under the laws of our states and purchased the property from willing and anxious citizens and often at a very much inflated value. Are we going to be the first to violate our own laws and rob the foreigner of lawfully acquired property? We were willing for him to toil almost incessantly to furnish our table with rare and fresh vegetables and fruits, but when he began to reap the just and legitimate harvest rewards of his labors we desired to drive him from the land. Are we to be the first to repudiate our boasted doctrine of the right to life, labor and the pursuit of happiness?

If we and our native sons are too lazy to till the soil and feed the people why amputate the hand which is now feeding us?

Perhaps it is a mistake to congregate any group of foreigners in any locality in any state. The east side of New York is perhaps committing the same error. They should be scattered over all the state, and they should be distributed throughout the states of America. If we permit them to congregate, remember it is our fault and not theirs. They should not suffer because of our short-sightedness.

4. The agitation is unreasonable and un-American. It is not based upon facts. There are about 150,000 Orientals in this whole country of ours. That means the entire yellow race

population of America. Think of that small number in our vast population of over 100,000,000. The agitation, therefore, is without foundation. There are about 80,000 Japanese in California, which has a population of about 3,000,000. There are only 17,000 Japanese in Washington, which has a population of over 1,500,000. Why, then, this unjust agitation? Who could see danger except the person who manufactures it for a pre-meditated reason?

Japanese immigration is fixed by treaty and can not be handled any other way and be true to America's honor. Japan has not violated her treaty with us and sent her people here unlawfully. Her picture brides came by treaty authority, but when we objected she gladly refused to issue passports to them. Her adopted sons came by treaty authority. If you had a son adopted by law and given you by law you would be lawfully bound to give him every right that a son by birth inherits. Therefore, the treaty says that a legitimately adopted son of a rightfully admitted Japanese merchant has a right to enter. That is true American justice. Would you be the first to belie the true father-heart of America?

Racial and national prejudice and suspicion are un-American. Japan is not seeking anything unlawful nor unfriendly. All statements to the contrary are without a single fact to sustain them. How could Japan overrun this country when her people are admitted under treaty conditions fixed by us? We make the treaty conditions. Japan is not making our treaty nor does she fix our terms. It is all in our hands. Why manufacture false alarms just to justify our unholy, un-Christian and un-American prejudice? Such conduct is damnable.

They say no people should be ad-

mitted who can not be assimilated. You have other peoples here living in peace and harmony who can not and never will be assimilated. Why raise a false issue about the Orientals? They are not asking to be assimilated. Some say they can not become citizens. Why do they not raise that hypocritical scare about others? The Tammany ring of any state is willing to naturalize any group of foreigners it can use for its own nefarious purposes. If it can not naturalize and use them then it makes political capital out of opposition and unjust agitation. The Japanese are just as capable of becoming citizens by that method as the thousands now being sworn into citizenship by the judges of our courts.

Speaking philosophically and truly, no one can become an American citizen until he divests his mind and heart of all ideas of and allegiance to the government under which he was reared. He must know, believe and become in spirit the American Government, her institutions and constitution before he can be truly an American citizen. You have never required that test, and there are millions in this country who have been given the rights of citizenship, who would if that test were applied, be disfranchised at once. Then why be dishonest and apply it only to the Japanese? If a Japanese were to stay here long enough to divest his heart and mind of the genius and philosophy of the government under which he was reared and become imbued with the spirit and life of the American Government he would make a par-excellent citizen. Why let un-American prejudice cause you to deny fundamental facts and laws? America must be impartial and just if she is to be truly American.

5. America's relationship to any foreign nation is a federal question and

not a state right. The states surrendered all such rights to the federal government. No state has the right to embroil this nation with any other nation just to satisfy the prejudices of her agitators.

This nation will maintain her friendly, commercial, economic, diplomatic and treaty relations with other nations regardless of the prejudices of all class or misguided groups in any and every state.

It is un-American and unconstitutional to allow states to attempt to destroy such relationships. America is not an isolated camp. She is a world power and will take her place in the world regardless of all the malicious forces working to the contrary. Pro-German, pro-Russian, pro-Soviet, pro-Irish and anti-English and anti-Japanese influences shall not break our treaties, destroy our friendships nor bankrupt our international commerce.

They shall not make us an object of international ridicule. America has never broken a treaty, proved unjust nor been false to any nation, and she will not now begin such infamous tactics. Japan need not fear; America will never do an unjust, un-Christian nor an un-American thing.

We know, as an able statesman has said, that:

The Japanese have a sincere and intense desire for the abiding friendship of our country, and no American can be long in Japan without warmly reciprocating that desire. There is every reason why the two nations should be on the closest and friendliest footing. Even the perplexing immigration question is susceptible of amicable settlement if only we Americans show a little tact and a respect for Japanese susceptibilities. The Japanese are one of the most ancient and proudest people on the earth. Their manners to foreign visitors are a revelation of grace and courtesy. They expect in return a little of that same deportment. It isn't so much

what we do on the immigration question, as the way we do it. Certainly to one who has gained an intimate glimpse of the Japanese, it would seem certain that, with

any ingenuity at all, we ought to be able to devise a formula that would meet the views of California and at the same time measurably satisfy the Japanese.

The Anti-Japanese Agitation from a Business Man's Standpoint

By REGINALD H. PARSONS

Seattle, Washington

IN approaching the question of the desirability of retaining or rejecting Japanese immigration *in toto* or in part, much excitement and animus has been shown at points on the Pacific Coast, especially in California, against a people whose chief fault seems to lie in their intense energy and economic aggressiveness. It is true, however, that there is a grave problem relating to the social side of the situation.

The standard of living of the Japanese laborers is not the same as ours, and here is where there is natural and serious conflict. We are not accustomed to seeing women and children labor all day in the fields, and their apparent contentment under this situation with meager food and unattractive lodgings.

The American farmer becomes alarmed at the encroachments and the persistency of the Japanese. White labor objects seriously, or refuses entirely, to work side by side with a member of the yellow race, and so the employer finds he must choose one of two things: White labor—in many cases independent, undependable and inefficient, also, at times, scarce and difficult to obtain; or, he finds the Japanese, anxious and eager for work, performing his work with speed and efficiency, yet withal, mechanical in its proficiency and with a total lack of personal contact with the employer—an impersonal and selfish relationship invariably.

Much has been said to the effect that the Japanese are entirely undependable from the standpoint of honesty; that they will break contracts when it is to their interests to do so, and use pressure to enforce carrying out of such contracts by the other party when it is to the interest of the Japanese to have this done. Is he entirely unlike his white brethren in this respect? Are we in a position, at this point, to complain of and censure unduly laboring people who are guided much by the example set them in a foreign country? Can we expect others to maintain a standard of honesty to which we ourselves do not always hold?

Another class of Japanese immigrants is prominent in its service as hotel and house servants and chauffeurs. Here we have a more intelligent Japanese, who is, with rare exception, unusually efficient and reliable. With the exception of some trouble in Vancouver, B. C., many years ago, the Japanese have proved themselves at all times to be law-abiding, attending to their own business entirely, and in no way interfering with anybody's legal rights. In this respect, they are, of course, quite incomparable with many of the European immigrants employed in large numbers in various parts of the country, who have often proved themselves to be very recalcitrant and difficult to handle. One seldom if ever hears of a Japanese

strike or any acts of violence or depredation. They live peaceably among themselves, as well.

So much for a partial view of the inter-relation as between the two peoples on the Pacific Coast.

The violent agitation that has been in evidence for several years now in California has been due, therefore, to a fear of economic competition, but at points where the American laborer has, after all, a lesser contact, viz.: agricultural and horticultural, principally truck-gardening.

It has been proved that part, at least, of this agitation was fostered during the war by German money. How much of this influence still remains in the agitation it is impossible to say. No doubt many men are sincerely anxious and aroused over this situation.

Again, men of influence in the state of California no doubt have lent themselves, for political reasons, to this anti-Japanese agitation. In this, they are betraying the best interests of their state and their nation. California should realize that it has no race problem like the race problem confronting the South, and that the economic problem could quite easily be met by sane and proper legislation and effort and by the right kind of public spirit. Selfish men and those acting through ulterior motives should not be allowed to dominate the situation and so inflame the public mind that harm and injustice is thereby done to a peaceable part of the population. For one state of the Union to take upon itself a demand for a change in the Constitution of the United States—as California has done in the last election, by a certain majority unduly excited over the situation—seems a very grave error, and one which should not be countenanced by the rest of the nation. Too much is involved; the friendship of a friendly

nation, a large and growing commerce with an industrious people, where the opportunity for interchange of goods surpasses any other country excepting possibly Europe at this time, and where, by continuing our actions along these present unfriendly lines might very easily involve us in war. The statesmen of both countries have a very difficult matter to solve, and every help should be given them, through an impartial review of true facts and conditions, to handle the problem intelligently. Inflamed imaginations must not be allowed to dominate the situation.

We of the Pacific Northwest, under the circumstances, are naturally extremely anxious to see that fairness be displayed and justice properly meted out, and that every effort be put forth to counteract the evils that are now so assertive.

Just prior to the last election, it became quite evident that much of the saner element in California had seen the lack of wisdom in allowing themselves to be drawn into this maelstrom, and are making every effort to stem the tide of ill-feeling which has been rising so rapidly. We only hope that they will succeed in bringing clarity of vision into the situation, when justice and fairness will be shown, as is always the case with the American people in any state, when given the opportunity to think and act without prejudice.

On the other hand, the Japanese can hardly object to our taking any action against what they may feel is contrary to their interests, but which is similar to the way they treat foreigners themselves. They have always been a very exclusive people, and, as I understand, have many laws now which preclude the ownership of land by foreigners within their own confines, and, in other ways, fail to give foreigners the same standing in law which their own

countrymen enjoy. But this is a matter upon which our national government, and not any one state, should act.

While I do not wish to appear in any way officious, I feel that if the people of California would memorialize Congress or the State Department on the subject, giving them the true facts as they are, they should feel that their interests would be carefully studied and everything done to protect them legitimately and properly. It is the precipitate action of some people on the Pacific Coast which is so unwise, and should not be allowed, for the

reason that it might be serious in its consequences, involving the entire nation. May we, as an American people, never lower ourselves to commit unjust acts, through passion of the moment, which we may later sincerely regret! Our reputation as a fair people and our interests as a nation of business and industry demand that this problem be solved from a national standpoint, and from the interests of all concerned and the nation as a whole.

This is not a question of pro-Japanese or anti-Japanese, but of common sense and fair dealing.

The Japanese Issue in California

By COL. JOHN P. IRISH¹

Member of the State Development Board, Oakland, California

RETROSPECTION will serve to illuminate current history. When the anti-Chinese agitation convulsed California a Congressional committee came here to investigate. In behalf of the municipality of San Francisco, this presentation of the case was made: "The Chinese are inferior to any race God ever made. They have got the perfection of the crimes of 4,000 years. The Chinese have no souls to save, and if they have they are not worth saving." The California Senate in its memorial to Congress said: "Impregnable to all the influences of Anglo-Saxon life they remain the same stolid Asiatics that have floated on the rivers and slaved

in the fields of China for thirty centuries of time." The Attorney-General of California testified: "The Chinese are inferior to the Negro and to the Indian."

The expulsion of the Chinese was demanded because of their vices. Following this we violated our treaty with China and expelled them by thousands. This created an economic vacuum that drew in the Japanese. Cultivated land amounting to 568,943 acres lapsed back to nature and ceased production for lack of farm labor. The Japanese came in slowly and abandoned fields were made productive by their labor. They proved to be cleanly, honest, law-abiding and very industrious. Not until after the Japanese-Russian war was there any criticism of them. Then the politicians and the press began an anti-Japanese agitation that has continued in intensity.

In contrast now with great abuse of the Japanese was constant expression

¹ President of Directory of the State Industrial Home for the Adult Blind for 30 years; Director for 35 years of the State Development Board, an organization devoted to the material development of the State; President of the California Delta Association, representing 250,000 acres of marsh land reclaimed by the skill and industry of the Japanese; practical farmer in California for 30 years.—The Editor.

of favor for the Chinese. Now why this change? The people by a friendlier contact with the Chinese had abated the earlier false judgment. They had repented the murder and robbery of which Chinese had been the victims, and were in the temper of atonement.

As the Chinese had been condemned for their imputed vices, so the Japanese are condemned for their virtues, for their sobriety, their industry, their intelligence and skill, for their respect for law and for their honesty. Dr. Benjamin Ide Wheeler, President emeritus of the State University of California, in a speech against them said: "Their good taste, persistent industry, their excellent qualities and their virtues render their presence amongst us a pitiful danger."

When the Chinese were under the lash of persecution the *Sacramento Bee* was in the front rank of their enemies. It rejoiced at every crime committed against them. Saul never pursued the Christians with a bloodier purpose. But when the persecution of the Japanese began the *Sacramento Bee* demanded that they be driven out and the Chinese admitted again by repeal of the Exclusion Act.

It is of especial interest that every attack on the Japanese is based upon their desirable qualities, and no claim of their inferiority is made. Rather their enemies profess dread of their superiority.

California increased in population 44 per cent in the last ten years, while the increase for the rest of the country was only 14 per cent. Of our population the Japanese are only 2.2 per cent, and that hardly perceptible number constitutes "the problem" about which public opinion here has been poisoned by falsehoods, just as happened in the case of the Chinese. The anti-Japanese initiative adopted on November 2

was supported by the entire press of the state and by four millionaire politicians; only one side got publicity, the opposition none, and yet 222 thousand votes were cast against it. Those voters knew the Japanese by contact, by acquaintance and by experience, and were the sound part of the public opinion of California. It will be readily understood that in a population of more than three and a quarter millions only a fraction can have had contact with our 2.2 per cent of Japanese. The anti-Japanese vote was cast by many of that percentage, who probably knew little if anything personally about the Japanese and were ready to accept as true every slander of them. In this will be seen the operation of the same causes that have modified the former hatred of the Chinese and displaced it by a cordial friendship.

The anti-Japanese agitators here are endeavoring to spread their propaganda through our eastern states, by taking advantage of the lack of personal knowledge by contact with the Japanese. To this end certain story writers for publications like the *Saturday Evening Post* are pouring poison into eastern public opinion by stories that are so false as to be ridiculous. The moving picture is also called into this disreputable service.

The building up of antagonism to Japan and hatred of the Japanese domiciled here should be viewed with solicitude. Readers of newspapers are on guard against editorial expression of opinion, but they are off guard when they read the news columns. This has led to the vicious and persistent sophistication of the news. It is being used to poison public opinion in regard to Japan. A leading metropolitan newspaper, owned by a United States Senator, has obviously organized a system for this purpose. Every day it publishes news items, pretended

to be wired, sometimes from far Bombay, Korea, Mongolia and Manchuria, always attacking Japan. Evidence of design in this evil doing is found in the republication of all these news items in a metropolitan daily in San Francisco, and in other papers which naturally would not do this except by an arrangement.

So proceeds this conspiracy against the peace of nations. All of this bad work is dangerously trifling with the friendship of nations and the peace of the world. We speak of it as "the Japanese problem." Is it not rather an American problem? Does it not involve the education of public opinion in this country to demand the truth from the American press, and to drive the envenomed agitator against other nations and their people from the public platform? Does not the solution of the problem require that we see our own danger from ourselves? Is it not worth while to ask ourselves how long society can last with its public opinion based upon prejudice and poisoned by persistent falsehood? With this American problem solved there will be no Japanese problem. The truth will have disposed of it.

What influenced the two hundred and twenty-two thousand California voters to vote against the anti-Japanese initiative? The truth was the only influence. It was what they had seen, their experience and contact with the few Japanese who are here. They had seen the Japanese convert barren land like that at Florin and Livingston, into productive and profitable fields, orchards and vineyards, by the persistence and intelligence of their industry. They had seen the hard pan

and goose lands in the Sacramento valley, gray and black with our two destructive alkalis, lie, cursed with barrenness like the fig tree of Bethany, and not worth paying taxes on, until Ikuta, the Japanese, decided that those lands would raise rice. After years of persistent toil, enduring heart-breaking losses and disappointments, he conquered that rebellious soil and raised the first commercial crop of rice in California. Due to the work of that great Japanese pioneer this state now has a rice crop worth sixty million dollars a year, and the land that he found worthless now sells for two hundred dollars per acre.

Or these voters had seen the repulsive "hog wallow" lands in the thermal belt of the west slope of the Sierra, avoided by white men, so unproductive and forbidding that they defaced the scenery, reclaimed by the genius and toil of the Japanese Sakamoto, and now transformed into beautiful vineyards and citrus orchards from Seville to Lemon Cove. They had seen that 70 per cent of the total seventy-four thousand acres owned by Japanese, was these lands that disfigured the state until they had been reclaimed by Japanese genius and industry. They had met the Japanese industrially and socially. They knew their personal cleanliness, their scrupulous neatness of dress, their uniform cheerfulness, their politeness and good manners, their kindness and their gratitude for just and considerate treatment, their sobriety and respect for law, and seeing and knowing all this no falsehood, however subtle, could swerve them from obedience to the truth.

American Citizenship and the Japanese

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FOR some time past those interested in American-Japanese relations have been turning their attention to the question of the eligibility of the Japanese to become American citizens through naturalization. We have extended this privilege to the German, the Englishman, the Frenchman, the Italian, the Negro, the Russian, and others; why not to the Japanese? Has not the Japanese shown himself capable of assuming the obligations of American citizenship? Can he not fit in with our democratic scheme of government? The answers to these questions are both negative and affirmative.

The eligibility of alien Japanese to become American citizens is a part of the larger question of citizenship by naturalization. Political science usually recognizes two general sources of citizenship—namely, birth or descent, and the formal grant or conferment by the state. It is the latter with which we are here concerned.

When the Federal Constitution was adopted the national government took over the whole problem of naturalizing aliens. It would have been folly to have allowed each state to determine its own naturalization laws, so among the powers granted to Congress was that of establishing "an uniform rule of naturalization."

In accordance with this provision Congress has passed a number of laws. The first act was approved March 26, 1790.¹ In the first section it is provided that "any alien being a free white person, who shall have resided within the limits and under the jurisdiction of the United States for a term of two years may be admitted to become a citizen."

¹ U. S. Statutes at Large I, 108.

The phrase "free white person" was used in all of our naturalization laws down to 1870, when the law was changed to meet the conditions arising out of the Civil War and reconstruction. The law of 1870 reads: "The naturalization laws are hereby extended to aliens of African nativity and to persons of African descent."²

By an oversight, apparently, the phrase "free white person" was omitted from the law, so in 1875 it was again amended. As amended it reads: "The provisions of this title shall apply to aliens being free white persons, and to aliens of African nativity and to persons of African descent."³ There has been no change in this feature of the naturalization laws since 1875.

The question has often been raised: Did not Congress by "extending" the naturalization laws to aliens of African nativity and to persons of African descent thereby remove all race discrimination from our naturalization laws? It is quite obvious that there was no Asiatic problem in the United States at the time the first law was passed in 1790 and for seventy years thereafter.

A perusal of the federal censuses from 1790 to 1860 indicates that there was no such problem. Beginning with the census of 1790 the classification of races is as follows:

CENSUS	CLASSIFICATION
1790	Free White, All Other Free, Slaves.
1800	Free White, Slaves, All Other Free, Except Indians Not Taxed.
1810	Free White, Slaves, All Other Free Persons Except Indians not Taxed.

² U. S. Statutes at Large 16,256.

³ U. S. Revised Statutes Title XXX, Section 2,169.

- 1820 Whites, Slaves, Free Colors.
 1830 Free White Persons, Slaves, Free Colored Persons.
 1840 Free White Persons, Slaves, Free Colored Persons.

1850 Whites, Free Colored, Slaves.

1860 On page 39 of this census report, on the classification of races, we read:

Another feature worthy of notice is the large number of Asiatics that have arrived in California, subjects of the Celestial Empire, attracted to the land of gold. Table No. 4, page 33, in giving statistics for California, which is entitled *Free Population, Native and Foreign*, by Counties, 33,149 male and 1,784 female Asiatics are included in the white population.

1870

Here the basis for the schedule is, White, Colored, Chinese, Indian. There is a note at the bottom to indicate that the Japanese are included under Chinese.

1880

White, Colored, Chinese, Indians. A note at the bottom of page 378, table 5, indicates that the Japanese are included in the Chinese.

It is obvious, then, that down to 1860 or 1870 very little thought was given to the question of just what races were included in the term "white persons," but as soon as the Asiatic problem became acute on the Pacific Coast, Congress was urged to pass a law not only restricting Oriental immigration but also denying citizenship to Chinese. Section 14, of the Chinese restriction act of 1882 provides: "That hereafter no State Court or Court of the United States shall admit Chinese to citizenship, and all laws in conflict with this act are hereby repealed." Previous to the enactment of this law a very considerable number of Chinese were naturalized, the naturalization courts apparently including them in "white persons."

A popular opinion has prevailed for some time that by the laws referred to

above the Japanese, along with the Chinese, have been excluded from citizenship through naturalization. On the contrary, there is no specific federal statute denying them this privilege. Where we have refused to grant them papers of citizenship it has been done by the courts in their interpretation of the term "white persons" as found in our laws.

Just what races are included within the term "white persons" has been a question with the courts for some time past. A variety of interpretations have come from our tribunals. Thus in 1893 in the case of *Saito vs. United States*¹ the Circuit Court of the United States for the District of Massachusetts laid down the theory that the Japanese do not come within the meaning of the term "white persons" as used in our naturalization laws. Shebato Saito, a native of Japan, applied for naturalization papers and his application was denied by the court upon the following grounds: "The act," held the court, "relating to naturalization declares that the provisions of this title shall apply to aliens being free white persons, and to aliens of African nativity and persons of African descent. The Japanese, like the Chinese, belong to the Mongolian race and the question presented is whether they are included within the term 'white persons.' The court rules that the statute must be taken in its ordinary sense, and that the application of Shebato Saito must be denied upon the ground that he was of the Mongolian race and that the term 'white person' excluded the Mongolian race, and therefore the application is denied." The same ruling has been applied touching the Burmese. Thus in the case of *Sanco Po*,² a native of British Burmah, the court held that the Burmese are Malays, and under

¹ 62 Federal Reports, 126.

² 88 New York Supplement, 383.

modern ethnological subdivisions, are Mongolians. "The petitioner," continues the court, "falls squarely within the provisions of Section 2169 U. S. Revised Statutes which limit naturalization to free white persons and to persons of African nativity and African descent, for he is neither."

In those cases dealing with the Japanese the courts have taken the position that the term "white persons" does not include the Japanese.¹

On the other hand, a number of Japanese, as formerly in the case of Chinese, have been admitted to American citizenship by the courts. A notable case was that of the distinguished international lawyer, author and editor, Misuji Miyakawa, who died in this country in 1916. Mr. Miyakawa was the chief counsel for the Japanese in the famous school controversy in California in 1906. Others have been admitted in California, Indiana, Florida and New York. It is estimated that some fifty or a hundred, or perhaps more, Japanese were naturalized before the Bureau of Immigra-

¹A perusal of the following cases will reveal the great lack of uniformity in determining the meaning and scope of our naturalization laws.

In re Ah Yup (1878) 5 Sawyer 155, excluding Mongolians; *in re Camille* (1880), 6 Fed. 256, excluding a half-breed Indian and white; *in re Gee Wop* (1875, 71 Fed. 274), excluding a Chinese; *in re Rodriques* (1897) 81 Fed. 337, admitting a native of Mexico; *in re Kumagai* (1908) 163 Fed. 922, excluding a Japanese; *in re Knight* (1909) 171 Fed. 299, excluding a half-breed Mongolian and white; *in re Najour* (1909) 174 Fed. 735, admitting a Syrian; *in re Helladian* (1909) 174 Fed. 834, admitting an Armenian; *in re U. S. vs. Dolla* (1910) 177 Fed. R. 101, admitting a Hindu; *in re U. S. vs. Balsara* (1910) 180 Fed. 694, admitting a Parsee; *in re Young* (1912) 198 Fed. 715, excluding a half-breed German and Japanese; *in re Alverto* (1912) 198 Fed. 688, excluding a quarter-breed Spaniard and Filipino; *in re ex parte Shadid* (1913) 205 Fed. 812, excluding a Syrian; *in re Mozumdar* (1913) 207 Fed. 115, admitting a Hindu of the Brahman Caste; *in re Burton* (1900) 1 Alaska 111, excluding an Indian.

tion and Naturalization issued more strict orders touching the naturalization of aliens. These orders were issued in 1911 and were to the effect that clerks of courts should not receive declarations of intention or file petitions for naturalization from aliens other than white persons, and persons of African nativity or African descent.

By implication this excluded the Japanese, and the courts since 1911 have refused to naturalize them, with the exception of a few Japanese naturalized by the courts because of their service in the military and naval forces of the United States in the late war.

In spite of the fact that the Japanese can not become American citizens by naturalization, all children born of Japanese parents residing here permanently are American citizens by the "law of the soil." The reports of the California State Board of Health show that between 1906 and 1919, inclusive, there were born in the state (the problem here being more acute than in other states) 29,529 Japanese children. From figures developed by the State Board of Control, which constituted Governor Stephens' investigating committee, from the total registration of minors made by the State Superintendent of Public Instruction as required by the act of the 1919 Legislature, the minor population of Orientals in the state on November 1, 1919, was 21,611. The fact that many Japanese children born in the United States were absent in Japan, and also the fact that a rather high mortality prevailed among them in this country, taken together, would account somewhat for the discrepancy in the figures as furnished by the State Board of Health and the State Superintendent of Public Instruction.

These children are American citizens by virtue of being born upon American soil. The situation presents some very

interesting anomalies. These sons and daughters being American citizens have all the civil and political privileges which the rest of us Americans enjoy. One very interesting and complicated case has come to the attention of the writer. A young Japanese lady, an American citizen by birth, and a graduate of a California university, married a native of Japan. Under our federal laws she lost her American citizenship, and, under the provisions of the California constitution that voters must be United States citizens, the privilege of voting in this state. There was born to this couple some three or four years ago a little daughter. This child is an American citizen. Under our present laws the parents must remain aliens. The mother, formerly an American citizen, is now an alien; the child is a citizen, and the father an alien—rather an anomalous case.

Some of the pertinent questions growing out of this situation are these: What will be the relation of the rising generation of Japanese-American citizens to their alien parents? What will be the attitude of Americans toward this increasing number of American citizens of Japanese blood? And this number will continue to increase, as it is in California increasing today at the rate of 4,000 a year, as long as adult alien Japanese are allowed to immigrate. This situation is unique in the history of citizenship in the United States, namely, an increasing number of aliens ineligible to citizenship, at the same time an increasing number of American citizens, the offspring of these aliens. This presents a knotty problem to the sociologist and to the practical statesman.

The Japanese boys and girls born in this country are to a large extent being educated in our American schools and the testimony of many teachers is that they are, on the whole, as bright

and quick to learn as the average American boy or girl. The complaint comes from many quarters that these boys and girls are crowding into our schools in such numbers that they are driving out white children. On the other hand, it is argued that this is one sure way not only of Americanizing the children themselves but also to some extent of bringing their alien parents in contact with American ideals and principles.

It might be added that there is a movement on foot among those who call themselves the "exclusionists," to have the Fourteenth Amendment to the Federal Constitution so changed that children born in the United States of alien parents, who themselves are ineligible to citizenship by naturalization, would not be considered as American citizens. This raises another interesting question, namely: Through how many generations would this remain effective?

Another interesting feature of the problem of American citizenship for Japanese is the practice of Japan with regard to children of her citizens born abroad. The report of the California State Board of Control, alluded to above, points out the following:

Every Japanese, wherever born, is a citizen of Japan unless expatriated. Every Japanese in the United States, whether American-born or not, is a citizen of Japan and as such is subject to military duty to Japan from the age of seventeen years until forty years of age, unless expatriated. The American-born Japanese holds dual citizenship; first, allegiance to Japan with compulsory military duty; and second, rights of citizenship in America. Under such circumstances, a Japanese, though born in America and thereby acquiring all the rights and privileges of an American citizen, owes his first obligation of allegiance and military service to Japan. It is contended by writers on international law that because our country is cognizant of this dual citizen-

ship with its requirement of compulsory military service to Japan, the United States, in event of war with Japan, could not demand military service from the American-born Japanese but would be obliged to permit them to return to Japan, there to render military service in behalf of Japan. American-born Japanese would appear to be enjoying all the advantages of American citizenship without assuming the most important responsibilities of such citizenship.

Once a Japanese always a Japanese, unless each individual Japanese renounced allegiance in the manner prescribed by the Civil Code of Japan and his renunciation is accepted by the Japanese Government. No matter how many successive generations of American-born Japanese there may be, none of the children born in America are relieved of allegiance to Japan unless the parent has renounced allegiance to Japan and had his renunciation accepted by the Japanese Government.

While some of these points might be questioned, an important principle is touched upon in connection with the expatriation of the Japanese. On this point the report quotes from a letter of Dr. Charles E. Martin, Lecturer on International Law, University of California, dated March 25, 1920:

About 1917 or 1918, the Japanese enacted a law of expatriation by which the status of dual nationality on the part of Japanese residing here and claiming citizenship under the Fourteenth Amendment could be brought to an end. Japanese who are native citizens of the United States may

expatriate themselves in two ways:

(1) Before the age of 15 through a legal representative:

(2) Between the ages of 15 and 17 years, but never after the age of 17, unless he has presented himself for military duty.

As compared with the practice of the United States, the Japanese law is limited in its scope. Japan will relinquish her jurisdiction over foreign-born Japanese, not through the voluntary act of the individual but only through the permission of the home government. Many countries hold to the view that expatriation is the voluntary right of the individual. Japan does not recognize this principle. The burden is placed upon foreign-born Americans to prove that they have retained their American citizenship, while the burden is placed upon foreign-born Japanese to prove that they have renounced their Japanese citizenship through means provided by, and with the permission of, the Japanese government. In this way, the home government has a rigid military hold on its foreign-born citizens.

In the Pacific Coast states the Japanese problem is becoming an increasingly serious one. No one state, or group of states, can hope to offer a sane solution for the problem because of the many international factors involved in the situation. The whole question must be handled by the states in coöperation with the federal government. In this direction only lies the hope for a constructive program.

The Japanese Question

By K. K. KAWAKAMI¹

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THE peace of the Pacific can not be maintained by a mutual policy of recrimination and discrimination

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among the Powers bordering upon it. These Powers are at present represented by Japan in the East and by the United States in the West. The present attitude of fault-finding of each towards the other is fraught with danger, though it may not lead to an armed conflict.

The function of an international peacemaker is to minimize and tolerate, though taking full cognizance of, those qualities of a people which differ from those of another.

The function of an international trouble-maker is to emphasize, exaggerate, and harp upon those qualities of a people which are dissimilar to those of another.

I put this direct question to sane and sober Americans: Shall America listen to the counsels of the peacemaker, or heed the clamors of the trouble-maker? Upon the answer to this question, the peace of the Pacific must to no small extent depend.

No one denies that the Japanese are different from the Americans. Yet we believe that this difference is not so great as to create an insurmountable barrier against the Japanese. But for the sinister activities of proverbial busybodies and politicians and the yellow press, the Japanese in America can get along amicably with Americans.

Let me illustrate this with a few incidents which recently happened in California. A few weeks ago Japanese farmers at Calexico, in the Imperial Valley, were hosts to a number of American business men and their wives at a banquet at an American hotel. The vice president of the leading bank in Calexico, in behalf of the guests, thanked the Japanese in these words: "I wish to thank you for this invitation, and I am glad to be with you. If our Government is going to exclude Japanese from this country, it should also exclude all other undesirable elements of foreign nations."

The following day the Calexico post of the American Legion, which tried hard to forestall the banquet, came out with violent denunciations of the Americans who accepted the Japanese hospitality.

Exactly the same incident happened

in Lodi, a thriving farming town in Central California. A number of Japanese farmers and business men asked the leading Americans of the city to be their guests at a dinner. Among Americans present were the Mayor and the City Attorney of Lodi, the President of the Lodi Business Men's Association, and bankers and merchants. Upon the heels of this meeting came a resolution of the Lodi post of the American Legion, condemning the American participants in the banquet and declaring "that we look with disfavor and disapproval on any gathering intended to promote good fellowship and social affiliation between the Japanese and our own people."

If the Japanese in California are permitted to follow the natural course, if they are let alone by agitators and busybodies, they are capable of getting along harmoniously with the Americans. We see American workmen toiling side by side with Japanese on the rice fields and orchards, with no friction between them. We see American farmers employing Japanese, and Japanese farmers employing American laborers. In either case there is no trouble.

Even the prejudiced newspapers of California admit this to be a fact when they feel free to tell the truth. Shortly before the present recrudescence of agitation against the Japanese the *Monterey Cypress* had this to say: "It is a curious thing, and a sad commentary upon the attitude of the American employer towards labor, that American laborers will, by personal preference, enter the employ of a Japanese orchardist or rancher, when the same opportunity for employment is offered by American ranchers and orchardists."

The San José *Mercury* reports that "when there is a chance of getting

work under a Japanese the men here make for it as fast as they can."

According to the Municipal Employment Bureau of San José the popularity of the Japanese farmers is due to the fact that they are, as a rule, considerate employers. As an American laborer, who applied to that bureau for a job, puts it, "the Japanese give their farm hands white sheets and treat them like white men."

It is but natural that the contact of two different races engenders a race feeling. As between the Japanese and Americans, however, that feeling, if not deliberately exploited by those with their own axes to grind, will create no such wide chasm as would baffle the ameliorating processes of Time and Nature; because their social disadvantage in the American community under normal condition has never been very great.

That this is not a mere assertion has been proved by California's calm attitude towards the Japanese after two years of continuous vitriolic agitation against them. For more than two years Senator Phelan and his political associates, with the solid backing of practically all the California press, have conducted a virulent propaganda against the Japanese, employing every imaginable means to incite racial antagonism. Mr. Hearst's powerful organs, supported by a large number of other papers, have given unlimited publicity to this anti-Japanese propaganda. Day after day, evening after evening, these papers published editorials and "editorialized" news items; all conceived to set the public sentiment against the Japanese. Many of these news items have proved to be barefaced falsehoods. Up and down the state the anti-Japanese forces held public meetings and conferences, whose proceedings and decisions were heralded far and wide by

their newspaper allies. In a few interior towns they even put up sinister placards and posters announcing "No more Japanese wanted here" or "No Japanese employed here," which recalls to our minds "No Irish need apply," a sign seen in the eastern cities when Irish immigrants began to come to the Atlantic shores in large numbers.

To a student of social problems, the exploitation of the Japanese question by Pacific Coast newspapers is an interesting, often amusing, subject of study. When a paper comes out as a crusader against the Japanese, there are usually to be found sinister motives lurking behind the campaign. A few examples will suffice.

A daily journal, identified with organized labor, sells itself to capital in a strike. The strike fails, and capital has no more use for the "yellow sheet." Deserted by capital and scorned by labor which it has betrayed, the paper finds itself between the devil and the deep sea. Soon it starts a spectacular propaganda against the Japanese, thus hoping to regain labor's favor.

Another newspaper tries to extort a handsome sum of money from a Japanese community. The Japanese reject the advance. Soon afterward the paper embarks upon a campaign of defamation against the Japanese.

As with newspapers, so with individuals. A Japanese buys a city home from a real estate agent; whereupon another agent, who failed to make a deal with the Japanese, hestirs himself and spreads the evil tidings of a "Japanese invasion" throughout the city.

Again, two rival agents try to sell a farm to a Japanese. The Japanese deals with one agent, whose offer is more reasonable, and the other disgruntled agent sends for the leaders of an anti-Japanese organization and

holds a mass meeting to stir up animosity towards all Japanese in the village.

When I recall such stories, of which I can write a volume, I am almost inclined to lose faith in the goodness of human nature. Surely, you will begin to think that after all America is not an apotheosis of justice and humanity.

As for the motives of anti-Japanese politicians, I shall confine myself to quoting no less an authority than Governor William D. Stephens of California. He said in January last: "In my opinion the present agitation in California was inspired by candidacy for office. It is true that many worthy citizens have now allied themselves with it with a laudable purpose. The fact remains, however, that the dominant factors in the movement are actuated by their desires for political preferment."

The statement was lengthy and minced no words in admonishing various political aspirants. And yet the same governor made public, on the eve of the Democratic Convention in San Francisco, a lengthy letter addressed to Secretary of State Colby, in which he practically endorsed most of the anti-Japanese program advocated by those politicians whom he had scolded for playing politics. The astute governor did this, not because he had changed his mind, but because the agitation by Senator Phelan and others created an atmosphere in which no politician felt safe in maintaining an attitude liable to be interpreted as pro-Japanese. In the parlance of the political world, the governor's move was a move to steal Mr. Phelan's thunder.

But let us ignore the motive. For our present purpose, it is enough to see only the obvious, and note, as I have noted, how vicious, how vitriolic, the anti-Japanese propaganda has

been. Of late this propaganda has been reinforced by moving pictures and novels, evidently inspired by leaders of anti-Japanese agitation. One newspaper is publishing a serial, an undisguised anti-Japanese propaganda novel, written by a German-American who was arrested and interned at Fort Douglas during the war for his anti-American activities.

The important point, which I wish to drive home to the public, is that, in spite of all this propaganda, the average Californian shows little disposition to be excited or alarmed by the bogie of the Japanese menace conjured up by agitators. No Japanese has suffered physical attack at the hands of "hoodlums." No property owned by Japanese has been destroyed by the "riff-raff" elements. Only once or twice yellow journals have reported alleged cases of rough treatment meted out to the Japanese, but upon investigation such reports have proved groundless and nothing but the usual trick of newspapers to incite animosity against the Japanese. Everywhere the Japanese are getting along amicably with the Americans. Japanese are employing and being employed by Americans. Americans are glad to employ, and work for, Japanese. In cafés and restaurants, at hotels and theatres, there is no disposition to even discriminate against the Japanese. Senator Phelan is right in objecting to the use of the word "pogrom" used by an ardent defender of the Japanese, for there never has been even a hint of pogrom in the attitude of the Californians towards the Japanese.

The failure of anti-Japanese propagandists to incite race hatred against the Japanese proves two things. First, the Japanese have the innate capacity to live harmoniously side by side with Americans. Second, with the growth of Japanese immigration effectively

checked by federal arrangements, the present Japanese population and Japanese land holdings constitute no real menace. To make them appear a menace by a campaign of exaggeration and falsehood is an affront to the intelligence of the American people. Says the American Committee of Justice, organized in California to oppose the recently adopted Alien Land Initiative Law: "Only 2.2 per cent of California's total population is Japanese. In 1919 more white children were born in California than all the Japanese children born here in the ten years preceding. We should not be placed in the ridiculous position of 97.8 per cent of our population being in fear of 2.2 per cent. We would be confessing ourselves weaklings and fools if we were to think that our institutions and civilization are being endangered by the presence of such a small number of Japanese, unobtrusive, law-abiding, minding their own business, and bothering nobody. The State Board of Control reports that Japanese cultivated 458,056 acres last year. California has an area of 99,617,280 acres of which about 28,000,000 is farm land. Of this vast farm land only 1.6 per cent is cultivated by Japanese. Upon this 1.6 per cent they produce 13 per cent of California's total food output. Their produce is valued at sixty-seven million dollars, of which 35 per cent is paid land owners as rentals and 45 per cent to labor as wages. The balance of 20 per cent is the reward for Japanese tenants and contractors. The Japanese have taken up much of the worst land and made it fertile, thus helping to reduce the cost of food for the city worker. With effective restriction of Japanese immigration now being considered at Washington, there need be no fear that the small Japanese population now here will ever become a dominating element.

The present Japanese population is only 2.2 per cent of the total. The highest Japanese birth-rate is only 7.4 per cent of the whole as against 90.8 per cent of American births. Within a few years Japanese births will become even less, because (1) immigrants, irrespective of race, have fewer children after the first generation; (2) the average age of Japanese male adults now here is about 40; (3) the abolition of 'picture marriages' will make it more difficult for Japanese to marry; (4) the arrivals of Japanese will decrease as the result of present diplomatic negotiations."

This complacent attitude on the part of Californians has been proven by the result of the recent election. Senator Phelan, the apostle of anti-Japanism, has given way to his Republican opponent by a difference of 70,000 votes. The majority for the Alien Land Initiative Law has been disappointingly small for the anti-Japanese leaders. On the eve of the election, it was generally predicted, by both the Japanese and the Americans, that the Initiative would be adopted by a majority of 9 to 1. But the returns, though yet incomplete, have revealed a remarkable pro-Japanese sentiment, latent or potential in the hearts of the Californians. Up to date 5,586 electoral precincts out of a total of some 6,000 have made returns on the vote. These returns show 608,000 votes for the anti-Japanese law, and 230,000 against it. The majority is less than 3 to 1.

This is all the more remarkable when we consider that, during the past two years, the Japanese were given no hearing at all in the columns of any newspaper. The avenue of publicity was completely closed to them. We had no organization of Americans to assist us. We were powerless and helpless. We made no

attempt to present our side before the public, for we knew that such attempts were futile. It was only during the few weeks immediately preceding the election that the Japanese Association sent out a few documents, giving authentic facts on the question and that a number of sympathetic Americans began to realize the seriousness of the situation, and with no solicitation from the Japanese, came to their assistance. In the face of the complete monopoly of the public ear by the other side, we are justified in stating that the recent vote has proven that the sentiment in California is far from entirely against the Japanese. We must remember that California's voters number 1,360,000, of which about 400,000 did not vote. Many, perhaps a majority, of those who failed to vote were decent, intelligent, fair-minded people, who were disgusted with politics and politicians and took to the golf links or went motoring on the election day. Had these people exercised their franchise, the proportion of votes for and against the Initiative would have been more favorable to the Japanese.

Some Americans point to Hawaii as an example of the Orientalization of a white man's land, and sound warning against the Hawaiianization of California. With due respect to their intelligence, I am constrained to say that these Americans would render their country a better service if they would tell the truth about the American annexation of Hawaii. In the light of authentic history that annexation is far less justifiable than the Japanese annexation of Korea. It indeed had no justification whatever, except that American interests wanted the islands. But there is no use in discussing history here. The point is that the growth of the Hawaiian population is unique and abnormal,

and can not serve as a basis of forecast for any state on the continent.

To begin with, Hawaii was not a white man's land. Years before the American annexation of the islands, American capitalists went there to develop sugar plantations. As the islands were too far from the continent, and as their climate was too hot, these plantation operators could not get American labor, but relied upon labor brought from the Orient. So they brought Japanese laborers by the ship-load. From the beginning these Americans never intended Hawaii to be a white man's land; they plainly intended it to be a land of the natives and Orientals. When America finally annexed it, practically in 1893, formally in 1897, she inherited the conditions that had already been established by ceaseless importation of Oriental labor by a handful of Americans who had been there to develop its sugar resources. Had America been in a position to apply to Hawaii the same restrictive measure that she has applied to continental United States, Hawaii would have had an entirely different sort of population.

To argue from Hawaii to California is illogical. Here in California the American population, since Chinese exclusion, has always been preponderant, and promises to be increasingly so. Today the Japanese population here constitutes only 2 per cent of the total population. With steady inflow of Caucasian population from across the Rockies, and with the increasing Caucasian births within the state, California has not the slightest chance of ever becoming a second Hawaii.

A significant fact in the present agitation against the Japanese is organized labor's apathy towards it. At the time of the San Francisco school incident of fifteen years ago, organized labor was the motive power

of agitation. In the movement leading to the enactment of the anti-Japanese land law of 1913, organized labor played the most prominent part. But in the present movement labor has been a follower, not a leader.

In August last the Labor Council of Stockton, the city near which George Shima, the Japanese "potato king," has extensive farms, adopted these recommendations:

"1. Absolute restriction of all alien immigration;

2. No fight to be made upon any person or persons who are legal residents of the United States;

3. Organize all workers who are capable of taking a union man's job;

4. We do not favor the removal of the Oriental from land to the industries."

A similar resolution was adopted by the Federated Trades Council of Sacramento, the city regarded as the hotbed of anti-Japanese agitation. In view of what trade-unions had said and done on the Japanese question, these resolutions seem almost incredible, but they were passed almost unanimously in Stockton and Sacramento.

This modification of attitude on the part of organized labor is mainly due to the fact that the Japanese no longer compete with American labor. The Japanese farmhands and domestic laborers are getting as much as, and in some cases even more than, their American fellows. Moreover, in the past several years Japanese farmers have become employers of American labor. Thus American laborers have come to know that the Japanese are considerate and generous employers.

Another significant point is the difference of California's attitude towards the Chinese up to a score of years ago from that towards the Japanese today. As we have noted

there is no bitter race antagonism towards the Japanese. This certainly could not be said with regard to California's treatment of the Chinese from 1860 to 1890.

In 1862 the Chinese Six Companies reported to the California Senate that 88 Chinese had been murdered, 11 of them by tax collectors, but the report received no attention. In 1867, 30 Chinese employed in grading in San Francisco were violently attacked by a mob, and were seriously injured. In those days it was a common sight in San Francisco and other cities to see Chinese pelted with stones or mud, beaten or kicked, having vegetables or laundry stolen from their baskets and even having their queues cut. On one occasion 150 Chinese, landing from the Sacramento boat in San Francisco, were ruthlessly beaten and robbed.

In July, 1877, the storm of violence broke over the whole city of San Francisco. At the first flash of riots twenty-five wash houses were set on fire. This was followed by an orgy of outrages. For months no Chinese was safe from physical assaults. An epidemic of arson and robbery swept the city and the surrounding country. In many towns Chinese laundries were subjected to incendiarism. If the Chinese attempted to escape from burning houses, they were invariably beaten and kicked, often robbed and shot, and sometimes compelled to die in the flames. The Chinese could no longer attend safely the mission schools in the cities. Many were obliged to seek refuge in the mountains and in the remote country districts. The crowning outrage was perpetrated in Truckee in November, 1878, when the entire Chinese population of 1,000 persons was ruthlessly driven out of the town.

What California said about the Chinese was as vicious as the physical injuries which she inflicted upon them.

The utterances used were so vile that we are ashamed to reproduce them here. California may congratulate herself that she has spoken no such language about the Japanese.

It has been the tactics of the advocates of the Alien Land Law to create the impression that Japan herself does not allow foreigners to own or lease land. As a conclusive evidence that foreign residents in Japan do own and lease land, I present the following figures:

1. 169 corporations, organized exclusively by foreigners, own 656 acres, of which about 164 acres are farm lands.
2. 69 foreign individuals, including 20 Americans, own, in the names of Japanese, 195 acres, of which 18 acres are farm lands.
3. 336 foreigners, including 55 Americans, hold perpetual leases on 430 acres of city lots.
4. 335 foreigners, including 100 Americans, hold superficieses on 547 acres of land of which 52 acres are farm lands, the balance being city lots, forests, pastures, etc.

True, these figures show that foreign, and especially American, holdings in Japan are very small. But this is due, not to the impediment of the law, but to the scarcity of available land, and the

consequent high price of real property.

Under Japan's existing laws, foreigners as individuals can not own land, but corporations organized by aliens in compliance with the provisions of the Japanese Commercial Code can own land. Again the Civil Code of Japan allows aliens to lease land of any description for fifty years, and to hold the right of superficies for unlimited periods. Furthermore, foreigners in Japan still enjoy the benefit of perpetual lease, a peculiar prerogative established in the days of extritoriality.

Everyone realizes that the contact of different peoples and civilizations is liable to create friction. The simplest way to avoid this friction would be to build a Chinese wall around each country, and return to the "blessed" isolation of many centuries ago. But it is now idle to talk of such a plan. The unalterable fact is that the West has gone to the East, and the East has come to the West. And, be it remembered, it was the Western gun which forced open the doors of the East. The only sensible and honorable course the East and West can now follow is a course of mutual concession, of mutual tolerance, of "live and let live." Unless Japan and America are willing to pursue this course, the peace of the Pacific can not be maintained.

Is the Japanese Menace in America a Reality?

By KIICHI KANZAKI

General Secretary, The Japanese Association of America, San Francisco

IN recent years, and particularly during the past twelve months, a very great deal has been said concerning a Japanese menace in America. Does such a menace in fact exist? To find the answer to this question will be

the object of the discussion that is to follow.

First of all, it must be fully recognized that there is a real distinction between the Japanese question in the Far East and the Japanese question in

America; and that the latter, being entirely domestic, is wholly separate from and independent of the former. Comment on the alleged militaristic and bureaucratic form of government of Japan and discussions of Japan's policy toward China and Korea, the Shantung and Siberian questions and the Korean problem, should by no means include, as being in any way related to the Japanese question in America. It is regrettable, therefore, to observe that the anti-Japanese propagandists have deliberately intermingled the Far Eastern question with the domestic one, with resultant confusion and misunderstanding. However, the student and the statesman appreciate that as these two questions are separate and distinct in magnitude and significance, each must be approached with a different attitude and met with a different policy of solution; for the Japanese in America have begun to develop a distinct social consciousness, and have commenced to solve their problems here with the aid of the American people and in conformity with American spirit and ideals.

Recognition of the Japanese problem socially and politically began in America about the year 1900. The typical attitude of that day finds expression in the retiring message of Governor Gage of California, which gave warning of an incoming of Japanese immigrants who were similar in the quality of inferiority with the Chinese, and who maintained the same low standards of wages and living. But that attitude soon changed, and with Japan's successful emergence from the war with Russia, America commenced to recognize the different and superior qualities of the Japanese as compared to the Chinese. President Roosevelt, in a message to Congress, made special mention of this matter, and although he

by no means favored a rapid mingling of the American and Japanese races, he remarked the advantages that might accrue from mutual contact and friendly relations.

Thus, the attitude toward the Japanese has changed with the passing of time, and since the new outburst of anti-Japanese agitation, and particularly since early in 1919, a new position has been taken, namely, that the Japanese are unassimilable, and hence, undesirable, despite their generally admitted good qualities. Thus we find a lack of rationality in anti-Japanese criticism because of the radically different and contradictory arguments that have been advanced. This changing and contradictory tendency to a considerable extent reflects the superficialness and weakness of the argument and attitude of the anti-Japanese agitators who, in their capriciousness and to influence the indifferent and uninformed public, have used different arguments at different times and for different occasions. For ulterior purposes which, being usually political, have been designed to advance their own personal selfish ends, these individuals have sought to prejudice the public against the Japanese. Such being true, it is vitally important that the arguments of anti-Japanese propagandists be carefully examined; and for the sincere student of the Japanese question a scientific consideration of all the facts must precede any final conclusions. In the following statement, for the benefit of those who are honestly interested in the Japanese question, I shall endeavor to present the true facts and treat them in a scientific manner.

For the purpose of discovering what the actual degree of the so-called menace may be I will treat of the population, birth-rate and economic activities of the Japanese in this

country; and as two-thirds of all the Japanese in continental America live in California, I will use California facts and statistics as typical of the whole situation.

JAPANESE POPULATION

In an attempt to prove that in the Japanese population there is ground for alarm, much eloquence, great exaggeration and ridiculous miscalculation has been indulged in, but when the subject receives the careful analysis that is its due, nothing is found to occasion alarm. The census of 1910 gives the Japanese population of California as 41,356, and according to the census of 1920, it is now 70,196, an increase of about sixty-five per cent. Meanwhile, the total population of the state has increased about fifty per cent, or from 2,250,000, approximately, in 1910, to 3,426,000 in 1920. It is true that the California State Board of Control has estimated the present Japanese population of the state as 87,279, but this is admittedly only an estimate, while the figures of the Census Bureau are based upon actual and accurate enumeration and must, necessarily, be accepted as official. However, even admitting the estimate of the Board of Control to be correct, the increase of Japanese population in California is in no sense alarming for, with no abnormal influences at play, the total state population has increased, as we have seen, approximately fifty per cent during the same period. Upon the other hand we find that abnormal conditions prevailed among the Japanese in 1910, for at that time men above the age of maturity greatly predominated, and women and children were comparatively few in number, the actual figures showing that the men were more than five times as numerous as the women. Since then, and up to the year 1919, approximately

13,000 women have been added, so that only today is the Japanese population approaching a normal condition. In other words, the increase in population since 1910 has been due principally to the increase of wives, hence, of children. With Japanese population approaching a normal state, and with the strict observance of the "Gentlemen's Agreement," which practically bars any increase through new arrivals, growth of Japanese population will be slight and will furnish no just ground for fear.

BIRTH-RATE

The high birth-rate among the Japanese in California has furnished one of the main arguments of the anti-Japanese agitators. Mr. V. S. McClatchy, for example, has by foolishly conceived figures sought to show that a continuance of the present birth-rate will mean that in the near future the Japanese in California will outnumber the whites. Such arguments, being almost wholly imaginative, have no practical relation with actuality, and are designed only to appeal to the more ignorant masses by arousing fear and excitement. Necessarily, they are valueless to the scientific investigator. Even the report of the State Board of Control which shows the Japanese birth-rate to be 46.44 and that of the whites to be 16.59, respectively, per thousand population, has furnished no scientific basis for comparison. Such elementary facts as sex distribution, marital conditions, age group and age composition, intellectual status and social environment, have not been supplied; nor has there been made any comparison between the birth-rate of the Japanese and that of other immigrant races, or that obtaining among the whites of the same age group, intellectual status and financial condition. It is obvious that before

any authoritative comparison can be made the foregoing data should be assembled and carefully examined; and in this connection, the State Board of Control virtually disclaims its own comparison in the following pertinent statement:

"If it were possible to select, for more accurate comparison, those white married women who were on a social, economic and intellectual status similar to that of the Japanese, the disparity in birth-rate would undoubtedly be less marked."

But granting for the sake of argument that in the past the Japanese birth-rate has been high, there is still nothing unnatural or abnormal about it, for history of all immigration shows that the birth-rate and death-rate of every newimmigrant group have at first been high, but that as prosperity and higher standards of living have come to prevail, as the immigrant group has adapted itself to the new environment and different conditions of life, the birth-rate has steadily declined. Also, nearly all immigrants come from large families and hence their first generation is biologically prolific. Furthermore, the Japanese immigration, like that of

joined by, their wives. In this connection, the statistics show that by the end of 1919 there were approximately 10,000 more Japanese women in California than there were in 1910. In other words there are now about 15,211 Japanese wives here, most of whom came here at the age of the greatest fecundity. Under these circumstances, a comparatively high birth-rate was natural and could have been avoided only by unnatural methods of birth control. And there must be considered, also, the influence of the new environment, the different physical, social and economic conditions, all of which have made for an easier life and have, therefore, tended to increase the birth-rate. Even so, it is by no means as abnormal as has been claimed, and the mendacity of the frequently repeated assertion that Japanese women in California have given birth to a child each year, on the average, is established by the following table appearing in the report of the State Board of Control.

Moreover, a high birth-rate is not a racial trait of the Japanese, and as those in this country emerge from their present status, as they are doing

Year	No. of Women	Births	Percentage of births to the total births in California	
			Japanese	Whites
1910	6,362	719	2.24	96.13
1915	10,000	3,342	6.95	91.26
1916	11,500	3,721	7.35	91.38
1917	13,500	4,108	7.87	90.59
1918	14,500	4,218	7.54	91.17
1919	15,211	4,378	7.82	90.86

all other nationalities, was at first almost wholly of men who, having pioneered in the new land and set up homes there, have sent for, and been

very rapidly, their birth-rate will undoubtedly recede to the normal. At any rate, we can not with reason or propriety judge the future by the

past; and with the productivity of the Japanese women decreasing with their increasing age, and with new arrivals practically stopped through the cessation of picture-bride immigration, it is not too much to say that in the very near future there will be a marked decline in the Japanese birth-rate.

AGRICULTURAL ACTIVITIES OF THE JAPANESE

The agricultural activities of the Japanese have been widely commented upon and made the basis of an effort to prove that farm land in California is rapidly passing into Japanese ownership or control. The actual facts in this regard are particularly illuminating, serving as they do to refute another of the favorite accusations of the anti-Japanese agitators. The total land area of California amounts to 98,000,000 acres, of which 28,000,000 is farm land. Of this, the Japanese own or are buying on contract, individually and through American-Japanese corporations, 74,769 acres, and lease, or operate under crop contracts, 383,287 acres. Thus it appears that the total farm land *occupied* by the Japanese is no more than 1.6 per cent of the total, and that the amount *owned* by them and, hence, *controlled*, is less than one-third of one per cent of the vast farm land area of the state, relatively nothing more than a mere handful. As to the character of the farm land owned by the Japanese, without going into detail, suffice it to say that it is rich and productive—as has been charged—but that it has been made so by the incessant toil of the Japanese who, in most instances, took land either abandoned or regarded as practically useless by others, and made it highly productive.

ASSIMILATION AND THE INNER QUALITIES OF THE JAPANESE

In bringing this discussion to a

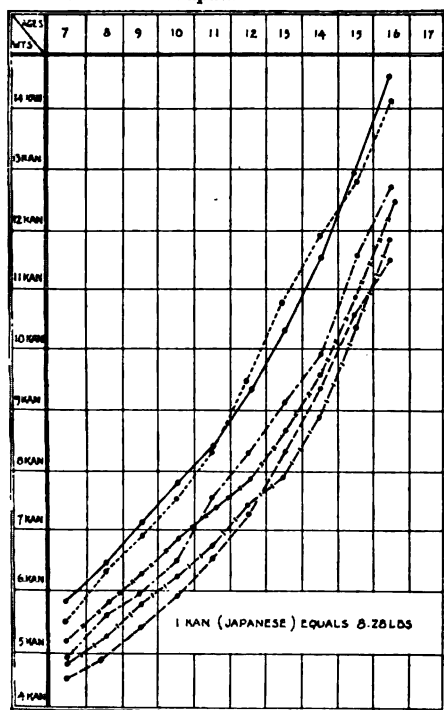
consideration of the social and inner qualities of the Japanese in America, we come to the most important phase of the Japanese problem, namely, the question of assimilation. The allegation that the Japanese are non-assimilable is the central argument of all of the anti-Japanese propagandists; it is, in truth, almost their sole gospel. Nevertheless, they have never yet even explained what it is that they mean by assimilation, nor have they given reasons for their assertions. Even Governor William D. Stephens, of California, in a recent public letter was content to speak of the "ethnological impossibility of assimilating the Japanese people," without giving any reasons to support such a contention.

Assimilation may be defined, for practical purposes and without much emphasis upon its dogmatic phases, as that art or process by which one is brought into a resemblance, harmony, conformity or identity with regard to others. More specifically to our case, it means adjustment to the new conditions and adaptation to the social, political, industrial and cultural institutions, both traditional and actual, of America. If this is what assimilation really implies, then the whole question boils itself down to how far and to what degree the Japanese have been and can be assimilated. Indeed, nothing final can be said on the question for it is one of relativity not of absolutism and a perfect assimilation can only be measured by Father Time.

PHYSICAL ASSIMILATION

The whole question of assimilation naturally divides into two phases, namely, physical and cultural. The physical assimilation of any race is difficult to measure or to definitely determine, but the fallacy of such an assertion as that "the Creator made the two races different, and different

Japanese Children in Japan and America
Comparative Study of Weights Between the
Children of American Born Japanese and Jap-
anese Children in Japan.

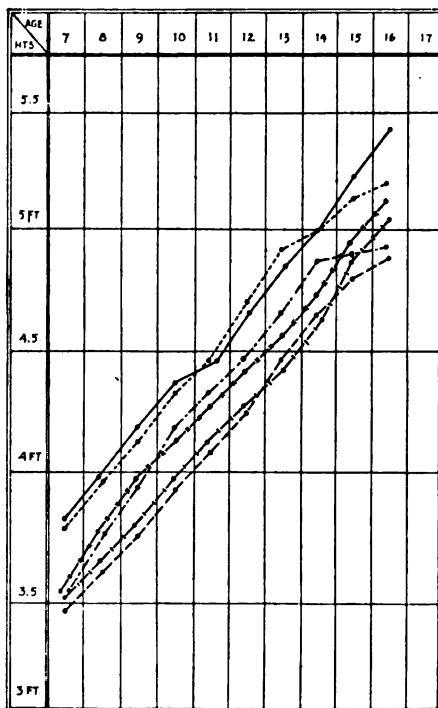


JAPANESE CHILDREN IN AMERICA ——— BOYS ——— GIRLS
 JAPANESE CHILDREN IN JAPAN ——— BOYS ——— GIRLS
 AMERICAN CHILDREN ——— BOYS ——— GIRLS

they will remain," has been convincingly demonstrated even by the Immigration Commission. It is now fully recognized that the social, economic and political conditions of America have gradually changed the habits, living customs and modes of thought of the European immigrants who thus become Americans. Even physical changes affecting height, weight, the cephalic index, color of hair, etc., have been definitely established. These changes now are taking place also among the Japanese immigrants. Their hair, formerly jet black, is toning toward the brown and their skin is losing its darker pigment, while in stature and weight there has been a marked proportional gain; and al-

though there has been no such careful study as would permit of announcing a final conclusion, certainly it can be positively stated that such racial differences as exist between the Japanese and the whites, even if they do tend to discourage a rapid amalgamation, by no means prevent even physical assimilation, and that in this connection the Japanese immigrants are in no different position from all other immigrants. The charts shown here, based upon and comprising figures obtained from the Children's Bureau of the United States Department of Labor, the Japanese Educational Association of America, and the Educational Department of the city of Tokio, Japan,

Japanese Children in Japan and America
Comparative Study of Heights Between the
American Born Japanese Children and Japane
se Children in Japan.



JAPANESE CHILDREN IN AMERICA ——— BOYS ——— GIRLS
 JAPANESE CHILDREN IN JAPAN ——— BOYS ——— GIRLS
 AMERICAN CHILDREN ——— BOYS ——— GIRLS

serve to graphically portray the physical changes taking place in the Japanese in America.

CULTURAL ASSIMILATION

As to the cultural assimilation of the Japanese in America the results are more thoroughly apparent. For instance, take the American-born Japanese children. They speak English almost entirely, and in their customs, spirit and mode of thought are far more American than Japanese. They have little desire even to visit Japan, for America is indeed "home" to them, and their love for America and adherence to its ideals is established by the eagerness with which they have joined and are joining the Boy Scouts of America and kindred organizations.

During the Great War the American-born Japanese young men of the requisite age admirably demonstrated that through them runs a devout love for the stars and stripes and America. Highly encouraging results are found also among the adult Japanese residents, who, by their ideas—social, economic, political and cultural—have demonstrated their complete conversion to the American ideal. No better proof of this can be found than the almost unvarying tendency of those who go to Japan to soon become dissatisfied there and return to America, and of the firm determination of almost all of the parents to educate their children in America as Americans, useful for America's future. Again, their mode of living, their ideas, in fact their entire philosophy, are being Americanized so profoundly that they find no difficulty in performing their new civic duties and conforming to the American legal system. Their devotion to America is further evidenced by the willingness, yes the eagerness, with which they bought their full quota of liberty bonds, war savings stamps,

etc., and made their generous contributions to the Red Cross and other war charities. The Japanese are also rapidly conforming to the spiritual ideals of America for, except in rare instances, the observance of Sunday is part of their life, and their homes and home customs are rapidly improving.

The foregoing short survey furnishes generous proof of cultural assimilability, and that the Japanese are racially as assimilable as any other people is abundantly evidenced by the rapidity with which Japan has adopted and adapted herself to modern Western civilization. Asserting that the Japanese are assimilable, that, indeed, they have proved it, we must explain why the process of assimilation has been so slow. With no desire to deny fault on our own part, it nevertheless must be stated that the main reason for the slowness of the process is to be found in the barriers that prejudice and intolerance have set up against the Japanese. Social discrimination, such as excluding Japanese from certain residential districts; legal discrimination, such as the various land laws and the denial of the privilege of citizenship; the inhibition of intermarriage,—all these are barriers that certainly most seriously retard the process of assimilation, and unless they are dissipated and the doctrine of exact equality is established, the whole question of assimilation will be difficult of permanent solution. That the Japanese are *not* really an undesirable people, that they are in truth worthy to be assimilated finds indisputable proof in the very statements of the anti-Japanese agitators who preface their adverse arguments by admitting freely that the Japanese are sober, orderly, peaceful, industrious and enterprising, and in no way inferior to the Caucasian race. Are these not desirable qualities? Are they not those things which

are commonly called virtues? And, admittedly possessing these characteristics, are not the Japanese wholly worthy of being assimilated? Then why not take a positive step in this direction? Why not make them a desirable integral part of American life and transform them into a valuable asset instead of permitting mistreatment and discrimination to make of them a liability to themselves and to the whole American people? Let rationalism rather than foolish sentimentalism rule.

INTERMARRIAGE

In considering the important question of intermarriage it is well to emphasize that, though closely related, it is not an absolute condition of assimilation. Beyond doubt there is intimate relationship between them, but that assimilation is entirely possible without intermarriage is fully evidenced by the Japanese students in America. The physical and mental characteristics of the progeny resultant of intermarriage shows the complete biological possibility of it; in fact the results are in no way dissimilar to those occurring from the ordinary inter-racial marriage. On the whole, however, the question of marriage between Americans and Japanese is one largely of the attitude of the people directly concerned, and through social expediency it will gradually solve itself.

WORKING HOURS AND WAGES

That the Japanese are willing to work longer hours and accept lower wages than the whites is by no means a true statement. Figures gathered in twenty-two counties show that while in some instances the Japanese accept a lower wage, in others they demand a higher one, and that the general average of the hour and wage scale is practically the same between

the Japanese and the whites performing the same kind of work. In this regard there is often a failure to distinguish between Japanese farm hands, and Japanese who own their own farms and who, like many American farmers, work as long hours as they desire.

STANDARD OF LIVING

The Japanese standard of living, although it may have been low in the past on account of economic conditions, is not generally so today. As the Japanese in America have prospered they have steadily raised their standard of living, for their natural tendency is to enjoy life as much as possible, and a low living standard is not a racial trait. In other words, the standard of living is directly connected with the earning power of the Japanese, and as the latter increases, the former rises proportionately, and compares more than favorably at all times with the standard prevailing among other immigrant groups. With the dissipation of prejudices and the removal of restrictive and discriminatory environmental barriers, the Japanese standard of living will rise until it equals that obtaining among average Americans. In any event the question must be measured relatively, not positively, and to deal justly with it, comparisons, if any, should be made with the new immigrant groups and not with the higher developed and more refined peoples.

JAPANESE LANGUAGE SCHOOLS

The Japanese language schools have occasioned a great deal of misunderstanding and aroused much adverse criticism: misunderstanding has arisen because the public has not known their purpose; and adverse criticism, because the agitators have claimed that such institutions teach only Japanese ideas and customs, and loyalty to the Empire of Japan. The real purpose of

these schools, however, is to teach the Japanese language to children who show a marked preference for and adaptability toward English, in order that the connecting tie between the parents (who naturally have difficulty in speaking and understanding English) and the children may not be destroyed. Sever this tie, and the parent must suffer, for it is mainly through the child that he becomes acquainted with and agreeable to the customs and institutions of American life. It is upon this basic idea that the Japanese language schools exist. The fact that many of them employ American teachers for the smaller children and that they are revising their text-books to conform to American principles furnishes proof that their teaching and precepts are not other than loyal to America, and evidences the fact that these schools, far from being a bar, are of genuine aid to the process of Americanization. The average attitude of the Japanese parent is to so bring up his children so that they will make the best of American citizens, participating in American life and contributing their distinct share to this cosmopolitan civilization.

RELIGIOUS TRAINING

The religious training of the Japanese is not being neglected, and in this there is a well-recognized tendency toward the Christian religion, Buddhism being rapidly on the wane among the second generation, particularly. There are only twenty-five Buddhist Temples in all of continental America, while on the Pacific Coast, exclusive of Canada, there are sixty-one Protestant Japanese churches, besides a number of Catholic churches, and all of them are gaining in membership and strength. Also, few of the Japanese born here accept other than the Christian faith.

THE JAPANESE ASSOCIATION OF AMERICA

An organization that is devoted to raising all of the standards of the Japanese in this country and of genuinely aiding Americanization is the Japanese Association of America with headquarters at San Francisco, which has been in existence since 1900. It has a membership of 16,000 Japanese, all of whom recognize and approve the principles and purposes of the organization. It has taken the lead in all movements designed to promote a better understanding between the Americans and the Japanese here, and to inculcate in the hearts and minds of the latter a devotion to and an understanding of the spirit of America.

IMMIGRATION

The question of Japanese immigration is one that should be considered carefully, but not confused with questions which concern the treatment and the Americanization of the Japanese already here. With picture brides barred and the practice of yoshi adoption discontinued, and with the "Gentlemen's Agreement" functioning satisfactorily, Japanese immigration is really nothing to worry over. The increase of the Japanese, through immigration, since the adoption of the "Gentlemen's Agreement," has been slight and due, even then, to the abnormal condition of the Japanese community. With conditions in that respect rapidly approaching the normal, there is no occasion for alarm. Even so, the Japanese people and the Japanese Government are willing to make honest and reasonable concessions to the end that the immigration problem may be solved.

In concluding, let me say that if we study the question of the Japanese in America along the lines of this discussion, the actual situation will not be

found to constitute a menace of any kind to America; and, moreover, on account of careful regulation of immigration, there is no possibility of a menace ever arising.

In spite of the criticisms of the anti-Japanese agitators, and the prejudices thereby aroused, the Japanese in America, heeding the teachings of their leaders, are most sincerely endeavoring to so order their lives as to conform to the economic, social and spiritual ideas and institutions of America. Therefore, the real and fundamental problem is how to make the Japanese already here an integral part of American society. In this regard, the attitude and program of the anti-Japanese agitators would furnish nothing that would work to the ultimate good of the commonwealth. Instead of such agitation, America should meet the problem with an attitude predicated on the policy of how to Americanize and assimilate the Japanese that are here, so that they may not be left as a foreign and isolated group in America.

This, of course, means granting to those who are qualified the rights and privileges of American citizenship.

THE SOLUTION

In suggesting a solution we must distinguish between the question of future immigration and the matter of the treatment of the Japanese now here. As to immigration, it may be advisable to impose further restrictions either by revising the "Gentlemen's Agreement" or adopting some method similar in principle to the Gulick plan; or the whole matter might be left to the action of a Joint High Commission. But whatever the method, it should be frank and friendly and free from discrimination. As to solving the question that particularly concerns the Japanese now here, that can only be done, as I have already stated, by granting to those thoroughly qualified therefor, by virtue of length of residence, character and education, the full rights of American citizenship.

California's Japanese Situation

By KIYO SUE INUI

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THERE is an adage, "No great loss but some small gain." This is applicable to the recent unfortunate anti-Japanese agitation of California which is not without its bright side. The anti-Asiatic forces are exultant over the passage of their initiative measure against the Japanese at the November election by three to one. They say that this overwhelming majority will be an eloquent expression of California's determination to oust the Japanese from its sun-kissed land. On the other hand, the Japanese and their sympathizers are claiming their

moral victory. For, they assert, they have proved by over 250,000 to the nation and to the world that California was not unanimous in her demand to rid herself of the Orientals as was claimed. In other words, there are those in California who are not necessarily pro-Asiatics but are pro-justice with that broader vision which precludes pro-right relations with Asia.

In making a résumé of California's Japanese situation, we must not ignore a few salient historical facts. It was America that first introduced Japan to the world. It was at the point of a

muzzle. The first article of the American-Japanese treaty reads as follows: "There shall be a perfect, permanent, and universal peace between the United States of America on the one part, and the Empire of Japan on the other and between their people, respectively, without exception of persons or places."

It is also a well known fact that it was at the suggestion of American sugar interests of Hawaii that the Japanese first began to immigrate into the islands. When the Chinese restriction law was passed in 1882, the labor shortage was felt keenly inside of ten years. It was then that the Japanese people commenced to arrive in any noticeable numbers. In other words, when the Japanese came the stage setting before which the regrettable drama of anti-Chinese exclusion was played was still in the foreground. All arguments propagated and all ill feeling fermented were still in the air before the eyes of the same generation.

Japan further appreciated America's peculiar difficulties with a heterogeneous population, with her Irish in Boston, with her Jews in New York, with her Italians in New Orleans, with her Germans in Pennsylvania, with Scandinavians in Minnesota and with her Chinese in San Francisco. Japan further realized that mass contact between any two peoples was not desirable, which was in line with the advice of Herbert Spencer to a Japanese statesman of note. Just a glance at the history of Japanese immigration into this country in comparison with that of Europe will prove that fact.

Recognizing further the peculiar distribution of power between the federal and state governments, acknowledging America's right to regulate her own immigrants within the confine of international courtesy and amity, thinking that it was potent to the spirit of international coöpera-

tion and friendship, Japan voluntarily promised to regulate her emigrants in Japan. This is called the "Gentlemen's Agreement."

Both the Japanese and the federal authorities agree that the agreement has been adhered to most conscientiously and effectively. The statistics compiled by the latter show that since the agreement went into effect in 1908 and up to the war the arrivals of Japanese aliens were a great deal less than their departures.

<i>Year</i>	<i>Arrivals</i>	<i>Departures</i>
1908	9,544	4,796
1909	2,432	5,004
1910	2,598	5,024
1911	4,285	5,869
1912	5,358	5,437
1913	6,771	5,647

Of course the war has made the immigration situation more or less abnormal in conjunction with everything else. The year 1914 signaled the greatest business activities in the history of Japan. Many officials and business men entered this country. It is true that there has been some gradual increase in the arrivals of the laborers. These were either returning aliens or direct relatives of those here and had proved to the local Japanese consuls their ability to support their families. Such were allowed to enter this country by the "Gentlemen's Agreement."

<i>Year</i>	<i>Laborers</i>	<i>Non-laborers</i>
1909	675	1,757
1910	589	1,909
1911	726	3,556
1912	894	4,464
1913	1,371	5,400
1914	1,762	6,700
1915	2,214	6,815
1916	2,958	6,142
1917	2,838	6,721
1918	2,604	8,539

Such being the case, the Japanese contended that the question was wholly what to do with those already within

the jurisdiction of the United States. It was not a question of immigration, but rather decent consideration and treatment of those Japanese immigrants legally in California.

However, the recent anti-Japanese agitation in California was precipitated by: 1. Reaction after the war; political and economical unrest caused by demobilization. 2. There were some who sincerely believed that the "Gentlemen's Agreement" should be put in the treaty or placed on the statute book of this country as its effectiveness depends wholly upon Japan's willingness and integrity. 3. There were those politicians who had to create some sort of a vehicle upon which to ride in to their offices. The Japanese without votes have been the most convenient subject for notoriety and demagoguery with the least political damage to the agitators themselves.

Whatever the phraseology may be, the initiative measure was directed against the Japanese, hence the substance of the measure may be summarized as follows:

(1) To prohibit land ownership by Japanese, (2) to prohibit leasing of farm lands by Japanese, (3) to prohibit the acquisition of real property by American-born Japanese minors, who are American citizens, under the guardianship of their parents, (4) to deprive the Japanese parents of their natural right to be the guardians of their minor sons and daughters owning real property, (5) to escheat real property to the state upon certain *prima facie* presumptions, (6) to prohibit the Japanese from taking any interest in any company or corporation owning real property.

The arguments used by the proponents of the measure included lies, rumors and facts. Their scope varied from attacks and abuse upon individual Japanese to alleged militarism of Japan. They may be roughly grouped under six heads: 1. Inadequacy of the "Gen-

tleman's Agreement." 2. High rate of increase of Japanese through natural births in this country. 3. The alleged land control by the Japanese and through it economic control of food products. 4. Duplication of Hawaii in California. 5. No land privileges to Americans in Japan. 6. Unassimilability of the Japanese, hence undesirability of having Japanese here as permanent residents.

The first group of arguments assumed America's ability of abiding by the "Gentlemen's Agreement" but charged Japanese as violators by (1) inventing the system of "picture bride" marriage, (2) allowing their nationals to smuggle into this country, (3) resorting to the system of adoption of adult children with the intention of bringing them into this country.

The "Gentlemen's Agreement" never intended to prohibit legal wives of those Japanese who are in this country, even though they may be picture brides, for they are legal wives according to Japanese laws. There were a very few of these, not many more than 5,000 all told, as compared with the numbers reported by the agitators. Furthermore, this system of "importing" wives was no new one among pioneer peoples. Proud Virginians and noble Carolinians in their early experiences resorted to a similar picture bride system, and many a woman crossed the Atlantic to become the bride of a pioneer immigrant. However, on February 25, 1920, Japan voluntarily discontinued the practice of giving passports to these women, which is termed by some one as the "ladies agreement." This is another proof of Japan's sincere desire to retain America's friendship and avoid friction.

The Japanese contention regarding the second objection raised by the proponents of the initiative land meas-

ure was to the effect that Japan is regulating her emigrants at home, not only to United States, but even to other countries over which the United States has no jurisdiction. There are only 2,800 Japanese in Mexico. It is impossible for them to smuggle into this country by the thousands as reported. As a matter of fact, the illegal entry into the United States during 1919 of Mexicans was 1,381; English, 188; and Japanese, 188. Moreover, Japan can not be responsible for the integrity of every Japanese any more than America could be for her nationals. Should a smuggler be apprehended he should be deported, but it is for the United States to patrol her border. This accusation as well as the others has been "played up," since no big smuggling plots have been actually revealed.

The third charge is to the effect that Japan is violating the "Gentlemen's Agreement" by inventing "yoshi system" of adoption. According to the agreement, legal children of those who are in this country are entitled to enter the United States. Hence, they charge many Japanese are adopting children with the view of bringing them into this country. The fact is, "the yoshi system" is not a new system nor is it peculiar to Japan. It has been customary in the countries where the family system is prevalent to adopt a child when there is no legal heir, male or female. But this is confined to the family where there is no heir. In order to avoid any possible abuse of the system, the Japanese government does not give a passport to an adopted child where there is another one in the family; nor does she grant it to him unless he had already been registered as the adopted child for at least five years.

The second of the main arguments used was the increase of Japanese

children through whom the agitators allege the Japanese evade and control land. The alarmists contend that the rate of increase of the Japanese is three times as great as the white population of the state. If the present rate continues the Japanese will overrun the state. In fifty years from now Japanese will be in the majority.

Mathematically figuring, such reasoning is correct. But the Japanese are human. We must use sociological figures. It is true that the Japanese birth-rate in this country is large. A Japanese woman gives birth to a child every three and one-half years, whereas the American wife gives birth to one in every nine years. Why? 1. Because more than 60 per cent of the Japanese are living in rural communities which usually have higher rate of natural increase. 2. Because of their economic well-being as compared with their former environment in Japan; but this is universally true of all immigrant races. 3. Because California's birth-rate is low, as the state is composed of many immigrants from the East, the majority of whom come here to spend their lives after they pass their middle age. The largest percentage of Japanese men in this state are between the ages of thirty and forty; women, between twenty and thirty. 4. Because they are young, their death-rate is very small, while the increase is abnormal. 5. This increase will decline; as time goes on, those who are in the period of reproduction will pass into another stage, while it is too early for the second generation to take their place. As was stated before, the Japanese are human beings. They have no monopoly on perpetual youth. This accusation and its arguments is one of the best examples of the vicious and malicious means used by the anti-Japanese to vilify the Japanese.

The third main reason for the oppo-

sition to the Japanese has been, the alleged "land control," "peaceful penetration." Now what are the facts? There are two outstanding features that are usually neglected by the average person who discusses the question: (1) Negligible amount of land owned and temporarily leased (not more than three years as law allows no more) by the Japanese; and (2) both the land in farms and improved areas of California are decreasing, in spite of the fact that her population is increasing.

California's area is equal to the combined area of New York, Maine, Vermont, New Hampshire, Massachusetts and New Jersey. Is California so crowded as to make any further legislation or legislation already made necessary?

1910 is more than 5,490,360 acres.

The fourth argument that California should not be made a second Hawaii sounds well but the fact must be borne in mind that Hawaii was never a white man's country. When Hawaii was annexed to America there were more Japanese in it than there are in California now. The conditions are not analogous.

The fifth argument is that Americans can not own land in Japan, therefore the Japanese have no reason to ask for more than she gives. The statutes of Japan do not discriminate against Americans as California does against Japanese but states that no foreigner can own land, *but* they can lease land for 999 years or own land in fee simple by forming any kind of corporation.

<i>Land and farms—California</i>	1900	1910	<i>Decrease</i>	
			<i>Amount</i>	<i>Per cent</i>
Approximate land area.....	99,617,280	99,617,280		
Land in farms.....	28,828,951	27,931,444	897,507	3.1
Improved land in farms.....	11,958,837	11,389,894	568,943	4.8

While the latest figures are not available, both land in farms and improved land have decreased 3.1 and 4.8 per cent respectively. According to the statistical report of the State Board of Agriculture of California, in 1918, Japanese owned 29,000 acres of land by individuals and 13,000 more through corporation and lease 427,000 acres. Assuming that there has been no change since 1910 in farms and improved land of the state, Japanese or 2 per cent of the people of the state leased 0.007 per cent of her farms and improved land and owned 0.00005 per cent of same. Even irrigated area or land irrigable under the project of

The last group of arguments against the Japanese were largely based upon the assumption that Japanese can not be assimilated within the body politics of the United States. If we summarize the facts, figures and opinions that emanated from the popular minds, it is very natural that these contentions were forwarded. However, a few words regarding the evolutionary stages of the Japanese attitude toward this matter, especially in connection with the education of their children, may be of interest to the readers.

It is true that a very few of the early Japanese immigrants came here with the idea of settling here perma-

nently. Hence the Japanese language, even history and geography were taught at one time in these so-called schools with the view of fitting their children to enroll in their proper grades should they go back to Japan with their parents.

Speaking for the Japanese communities in general the second evolutionary stage soon entered. The longer they stayed here the more they became established and the harder it became for them to leave their interests and associations. Unconscious absorption of American freedom and standard of living have made it impossible for many of the Japanese, who went to Japan with the view of spending their lives, to remain there. This fact changed the Japanese attitude of the education of the children. They began to teach only the language as it will be necessary in whatever life they might choose. Roughly speaking, such has been the case for the last half a dozen years. The third and last stage has come. Now they feel that their children are Americans and are to remain as such. If the teaching of the Japanese language is to be any burden or hindrance to Americanization, then they must do away with it entirely. If they teach it, they can not teach it in any way other than as a foreign language and not as a mother tongue.

Most of the educated and Christian element share this last view as exemplified by the resolution adopted on May 31 by the Japanese ministers and laymen representing twenty-eight churches and missions:

We, the pastors and laymen of twenty-eight Japanese evangelical churches and missions of Southern California, believing that no one can fully appreciate, without acquiring the fundamental teachings of Christ, the mighty spirit of the foundation of this nation of liberty, equality and

humanity which emanated throughout her history, do hereby adopt the following principles and policies for the Americanization of the 100,000 Japanese who are enjoying peace and prosperity in this country:

1. We who are in the United States are to be first of all loyal to the land of our adoption.

2. We are to endeavor to embody consistently in our daily life the fundamental principles and spirit of the American Government and of Christianity, respecting her customs and institutions and abiding by the law of the land.

3. Having chosen our life work here, we deem it our first duty to promote the welfare of our adopted country and contribute our share to its civilization. Furthermore, we will gladly be regarded as the forsaken band by the country that gave us our birth.

4. As to the education of our children, we think it best and sufficient to give them wholly American education, thus enabling them to become loyal and useful American citizens. In addition we desire to afford them the spiritual education based on the teachings of Jesus Christ.

In order to carry out the purpose of this resolution, irrespective of our religious affiliation, we do hereby unite and cooperate in our utmost endeavor to Americanize the Japanese in this country. We do this in the spirit of hope, patience and justice, which is the spirit of Christ, whose followers we are.

Many questions have been asked concerning the assimilability of the Japanese in Japan. A very few scientists have concluded definitely one way or the other. So far as the adaptability of the Japanese themselves in Japan is concerned a very few will deny it; for no nation in the history of the world has become westernized in political organizations, in industrial systems, in educational institutions and in science both of war and peace much faster than has Japan.

How about the Japanese in this country? So far as the children who were born in this country are con-

cerned there is no room for doubt but that they do become assimilated. It yet remains to be seen so far as the adult Japanese who came to this country after they attained their majority are concerned. That depends to a great degree upon the meaning of Americanization. If we mean sociological assimilation then we have no reason to regard Japanese in any other light than other immigrants, except that they have a greater degree of differences to overcome, and are without ballots or any direct weapon for defense from exploitation by the politicians and those who seek public favors.

If we mean biological assimilation we have no conclusion as yet. This much we are sure that the Japanese are subject to the same law of evolution and biological changes, even without intermixture of blood. For instance, the complexion of the Japanese becomes lighter as he stays in this country. The facial expression changes. This is especially true of the American-born child, because of his free and easy mode of living—absence, for instance, of sitting on the floor.

The following statistics will illustrate the biological as well as the sociological assimilation due to education and environment:

only in small business or truck farming, it is estimated that the average Japanese invested \$525 in liberty bonds. As to the Red Cross it is not far from the truth to say that in the first drive alone during the war, one in every five Japanese either took membership in the American Red Cross or contributed something toward it. Therefore when the final drive was made every Japanese took some active or substantial interest in the American Red Cross.

In conclusion: Usual arguments against foreigners were applied against Chinese. Upon arrival, the Japanese inherited all of the arguments used against the Chinese.

California's feeling toward the Japanese is considerably better than before. The relaxation from the moral and economic tension of the war that unified the nation, the narrow interpretation of self-determination, the state and national policies which have a great bearing upon international aspects, a presidential year in the state which holds the balance of power,—all of these things are responsible for the agitation at this time.

If we conclude that the present condition and agitation is a normal situation on which to base our solution, we fear that we shall build a house on false grounds.

COMPARATIVE TABLE OF THE HEIGHT AND WEIGHT OF JAPANESE CHILDREN

<i>Born and reared in America</i>			<i>Born and reared in Japan</i>	
<i>Age</i>	<i>Height</i>	<i>Weight</i>	<i>Height</i>	<i>Weight</i>
Boys 7 yrs.....	3.54 feet	42.3 pounds	3.52 feet	38.6 pounds
Girls " ".....	3.54 "	40.4 "	3.48 "	37.3 "
Boys 12 ".....	4.38 "	65.4 "	4.25 "	60.0 "
Girls " ".....	4.35 "	65.4 "	4.24 "	59.5 "

The question of Japanese loyalty has been often discussed. A few facts will speak for themselves. In spite of the fact that the Japanese are the last comers to these shores and are engaged

Japanese have not had normal time to prove their assimilability. Heretofore patent California only has been heard; latent California has been unorganized, though eloquently dis-

approving agitation and injustice. About 250,000 thus registered their sentiment against agitation.

When the real facts are known to

the people of California they will act fairly and justly. The Japanese seem to have confidence in them and in the rest of the United States.

The Anti-Japanese Question in California

By BARON SHIMPEI GOTO

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FEW international questions have been so openly laid before public attention and yet so grossly misrepresented as the anti-Japanese question in California. For instance, though it has commonly been called the Japanese immigration question, it is no longer the question of immigration at all (that has been stopped) but the question of the treatment of the immigrants that are already there. A question of this nature, however, usually lends itself to excited and confused discussions. In order to have a fair appreciation of the problem it is necessary to disentangle the essential facts and issues involved out of the clouds of opinions.

I

The facts are simple enough. There are at present 80,000, more or less, Japanese in the state of California. Many of them are independent farmers engaged in garden and truck-farming. The total acreage owned by them is about 30,000, and that of the leased land 330,000. A greater majority migrates from place to place according to seasons as harvest helpers. Between these two classes the line is not fixed. They constantly change from the one to the other as their success and failure induce them. They are fairly well scattered over the state, but in such localities as Sacramento Valley, San Gabriel and several others where conditions are especially adapted to their work they are clustered in small communities of their own, the

appearance of which can best be described as camps. They live very plainly and work very industrially and fulfill a useful and, I should say, almost unreplaceable function in the economic life of the state. Their honesty is unimpeachable, so much so that I often heard it said that banks will advance them money on the conditions which (if proposed by Americans), will be refused. They are, of course, entirely peaceful.

The menace of Hawaiianizing California does not yet exist as fact. It is at most only a tendency to be apprehended if substantial numbers of new immigrants continue to stream in. Japanese immigrants seem to be rather procreative. The assertion, however, so frequently made by agitators that at the present birth ratio the Japanese of the state will outnumber Americans in seventy years is an abstract statement based on imperfect statistics, which I have had no means of ascertaining. The reality, however, does not give one the least impression of that sort and, as the American public well know, most investigators from the eastern states return with the feeling that America can very well take care of them, if the number is not increased by a continued addition of new immigrants. As to the alleged unlawful entry of Japanese over the Mexican borders, it is generally believed that there have been such cases, but no evidence that it has been going on to such an extent as to add substantially

to the Japanese population in the state of California has ever been established.

These are the essential facts upon which the Californian issue has been raised. That issue, stripped of all its legal subtleties, is this: Japanese shall have no right to own or lease land for agricultural purposes. The ownership of land by Japanese was prohibited by the anti-alien land law of 1913, which has ever been a subject of diplomatic protest by the Japanese Government. Meanwhile, Japanese have found a way to acquire land, in spite of this law, in the name of corporations or native-born minors. The proposed new legislations strike at this practice of evasion by prohibiting them to become members of corporations empowered to acquire and possess agricultural land or to become guardians of the real estate belonging to minors. Furthermore, it deprives them of the right to lease land, which was limited to a period of three years in the law of 1913.

II

In 1913, when the anti-alien land law was enacted, and further back in 1908 when the so-called "Gentleman's Agreement" was signed, the Californian agitators made much against the low economic status of the Japanese immigrants. They pictured them as under-selling white man's labor and generally degrading the social standards of the people of California. It is certainly a great advance that in the present agitation these charges are scarcely heard. As a matter of fact Japanese are now earning as much as, and in many cases more than, white laborers in similar lines of work. In these lines of work they are unquestionably more efficient. Far from degrading social standards, I have often heard elderly American ladies comment on the personal tidiness of the Japanese boys. "It is a marvel," they said,

"how these boys keep well-dressed with their limited incomes." During the latter part of the war when the Japanese farmers were specially prosperous the number of those who came to market in trucks instead of wagons phenomenally increased. I have heard many Americans, in a good-humored jealousy, speak of it. Under such changed situations the former arguments of the agitators are out of place.

Whether the Japanese question in California is economic or racial has long been a subject of confused discussion. Those who claim it as a purely local issue are inclined to present it as an economic question. In this they harken to their sense of justice. Indeed, if it is an economic question where the standards of wages and living are concerned, they can rightly regard it as a local issue. But, then, the remedy will be found simply in the improvement of the economic status of these immigrants. That has come with an unexpected rapidity. If further improvement is desired, means are not lacking; and given proper means, the prospect is bright. Most Japanese children study in American schools and their records stand above the average of American children. As their intelligence and sentiment grow in the American atmosphere, they naturally turn away from soil and look into more varied spheres of activity than their parents ever thought of. A sad feeling prevails among the thinking Japanese in California that these native-born boys and girls, losing the grit and patience that have kept their parents stuck to soil and at the same time denied the equal right with Americans to essay higher things, will sink into the status of the servile class of domestic and clerical sorts. All this shows that if the question is an economic one the remedy is simple and just what Japanese desire. The economic ques-

tion argument and the discriminatory measures are plain contradictions. Is it any wonder that those who hold this view appear to Japanese wholly insincere? They are simply evading the real issue and compromising their sense of justice.

The real question is of more fundamental significance. It is racial—that is to say, racial antipathy. Much of this racial antipathy is mere prejudice. Take for instance the question of assimilability. Assimilability may mean anything from elevation of economic status and adaptation to new standards of civilization to changing of the color of skin. It is no fault of Japanese that they can not change their color of skin from brown to white; but in all other respects where assimilation can reasonably be demanded of them, they have shown the evidence of remarkable facility. Not only has their economic status rapidly improved but in thought and sentiment also they have become American. It is not uncommon to hear Japanese parents in California complain that they can not teach their children the Japanese history or literature or impart to them any ideas that they have brought from their old homes. Almost all Japanese now domiciled in California have been there for more than ten years and are greatly changed from what they were. Visitors from Japan return often astonished at their change. But they in turn, however, are surprised at the radical change that has taken place in their children's minds. These boys and girls are Americans in all but their physical appearance. I believe that the Japanese are a race that is particularly susceptible to the influence of environment. The Japanese history is, in fact, one long series of assimilation of different civilizations. Even Californian agitators themselves, in their moments of private reflection,

admit the wonderful power of adaptability of Japanese, although in public they do everything to prevent the process of assimilation from running its natural course.

Racial antipathy, however, may not be all prejudice. There may be in it certain desideratum which all the reason one possesses at present can not overcome. One knows that it is irrational but it is still there in spite of one's reason. Humanity will, no doubt, conquer it in the end; else we will not believe in humanity. But the process will certainly be long, and requires the utmost tact and patience. Meanwhile, it is a good worldly wisdom that friendship shall be kept at some distance. But it is not a sound sense to complain of the difficulty of assimilation while doing everything to prevent it. If your instinct tells you that Japanese are unassimilable and must be kept at a distance, you may safely trust to your instinct without resorting to arbitrary and dogmatic measures. Your instinct is your nature, and nature will take care of itself and knows its purpose better than you do yourself. But whatever your instinct reveals, your reason must also speak. It must speak, with all the authority it can command, that we must be friends and fulfill the essential conditions that make friendship possible.

Here we come to the essence of the question. It is a question of treatment. Japan is not sending you new immigrants since you do not want them. She is not trying to blend the two races, since its wisdom is in question. She is asking simply that those of her people who are already in America shall be given decent treatment that will make possible the friendship of the two peoples.

III

The Californian agitators can not

dip their fingers into this delicate dish, like children, without making a mess of it. Waiving for the moment more fundamental problems involved, their proposed measures come at once into conflict with the spirit of the American constitution and the treaty between the two countries. It is not the purpose of this paper to go into the question of legal technicality, but enough must be said to clear the ground for the final determining issue. The first four sections of the proposed legislation stand as follows:

SECTION 1. All aliens eligible to citizenship under the laws of the United States may acquire, possess, enjoy, transmit and inherit real property, or any interest therein, in this state, in the same manner and to the same extent as citizens of the United States, except as otherwise provided by the laws of this state.

SECTION 2. All aliens other than those mentioned in section one of this act may acquire, possess, enjoy and transfer real property, or any interest therein, in this state, in the manner and to the extent and for the purpose prescribed by any treaty now existing between the Government of the United States and the nation or country of which such alien is a citizen or subject, and not otherwise.

SECTION 3. Any company, association or corporation organized under the laws of this or any other state or nation, of which a majority of the members are aliens other than those specified in section one of this act, or in which a majority of the issued capital stock is owned by such aliens, may acquire, possess, enjoy and convey real property, or any interest therein, in this state, in the manner and to the extent and for the purposes prescribed by any treaty now existing between the Government of the United States and the nation or country of which such members or stockholders are citizens or subjects, and not otherwise. Hereafter all aliens other than those specified in section one hereof may become members of or acquire shares of stock in any company, association or corporation that is or may be authorized to acquire, possess,

enjoy or convey agricultural land, in the manner and to the extent and for the purposes prescribed by any treaty now existing between the Government of the United States and the nation or country of which such alien is a citizen or subject, and not otherwise.

SECTION 4. Hereafter no alien mentioned in section two hereof and no company, association or corporation mentioned in section three hereof, may be appointed guardian of that portion of the estate of a minor which consists of property which such alien or such company, association or corporation is inhibited from acquiring, possessing, enjoying or transferring by reason of the provisions of this act. The public administrator of the proper county, or any other competent person or corporation, may be appointed guardian of the estate of a minor citizen whose parents are ineligible to appointment under the provisions of this section.

The particular parts of the constitution and the treaty brought into discussion in connection with the above legislations are as follows:

The fourteenth amendment of the constitution of the United States provides that "no states shall make or enforce any law which shall . . . deny to any person within its jurisdiction the equal protection of the laws."

Section 1 of the treaty of 1911 between the United States and Japan states that:

The subjects or citizens of each of the High Contracting Parties shall have liberty to enter, travel and reside in the territories of the other to carry on trade, wholesale and retail, to own or lease or occupy houses, manufactories, warehouses and shops, to employ agents of their choice, to lease land for residential or commercial purposes, and generally to do anything incident to, or necessary for trade upon the same terms as native subjects or citizens.

Those who contend that the proposed measures violate neither the constitution nor the treaty base their case on the absence of the word "agri-

cultural" or other general terms that will cover agriculture in the treaty, and they contend that the "equal protection of law" guaranteed in the constitution applies in this case only to the rights specifically stated in the treaty. Those who hold the contrary view argue that the word "commercial" of the treaty implies agriculture, on the ground that commerce is impossible without production. They cite also the most favored nation clause in another part of the treaty, which they interpret as a general principle and the pervading spirit of the treaty. They bring also the precedent of the supreme court of the state of Washington in 1907, in which similar legislations were declared unconstitutional.

It is not for me to say how the word "agricultural" or other general terms came to be omitted in the treaty, and there is no recognized court of justice to pronounce judgment on the case. But the significance of this omission seems to be fairly clear. The treaty is a diplomatic document and not an ordinary legal one. The omission was diplomatically made and never intended to be construed in the narrow legal sense. If it means anything exclusive at all, it means that the question is pending.

That is precisely the point. All the negotiations Japan has been conducting are for the purpose of settling this point, because on it is staked the principle of equality. If this question were already settled and diplomatically admitted, there would have been no need for the protracted negotiations now extending for several years. It will be an uneffaceable blemish in the American diplomatic history if all these negotiations, which have every reason to arrive at a rational solution, be allowed to be broken by the off-hand manner of the Californian agitators. Their supposed legal interpreta-

tions, therefore, completely miss the mark. Like the economic-question argument it is a deliberate attempt to get round the vital point. Japanese do not want to make verbal travesties of their innate sense of justice and fair play, for which they are fighting.

IV

Some future historian will probably record the Californian agitation as an unfortunate incident in the westward march of the American civilization with its outposts now extended to the other side of the Pacific. Thirty years ago when the stream of the Japanese immigrants began to pour into the Golden Gate, America welcomed it with a true Whitman spirit, "I am large; I contain multitude." The process has since been reversed. The stream of oriental immigrants has not only been checked but a counter stream has begun to flow—I mean the American capitalist influence with missionaries and publicists as its vanguards. No hostile criticism is implied in this statement. Both Japan and China have needed that influence and are benefited by it, as their immigrants in their humble way benefited America. What is suggested is this: It is not a comfortable thought for us to see ourselves thrown down and cowed on the one side of the Pacific and watched and bullied on the other. On the Pacific slope we painfully looked up from below, but in America we are lorded over. For the moment I am chiefly speaking of China, where Americans can not only own and lease land but build railways and secure concessions with patronizing airs. Perhaps that may be the way China can be developed and it may ultimately be for her own good. In any case, she has to blame herself for her present predicament; but it is hard for us Japanese, watching this plight of

our neighbor from aside, to reconcile to the thought that we ourselves have been threatened with the same fate on the other side of the Pacific—and that after we are given all the credit for our virtues, intelligence and civilization.

Nor is this all. The interference of American agitators concerning the affairs of the Far East has frequently been the cause of no small irritation to us. We have recently had a series of it; the Shantung question, the Saghalien question, and the cable problem, to mention only a few conspicuous instances, and speak of nothing about the discourteous propaganda indulged in by some Americans in the Far East. In all such questions America is applying to us the most perfect and saintly canons of international dealings, which are observed nowhere else in this troubled world and which America herself failed to observe in almost everything that concerns her. It is a curious reflection of the egoistic psychology of a nation that American agitators, who have said so much about the Hawaiianizing menace of California, have said not a word about the Hawaiianizing menace that exists in its reverse form in the Far East much more potently. And yet we do not think of discriminating against America, because we feel that after all that is the way humanity mingles and civilization advances. But you can not expect that Japanese will think of the Californian question dissociated from these considerations.

At bottom, the Californian question is, then, one of principle. Nothing less than the principle of equality is concerned, and no other solution than the one that will preserve this principle in its essential features will satisfy us. It must, however, be remembered that it is not the intention of Japan to send more immigrants to America. Not

only has Japan actually stopped the stream of new immigrants since the "Gentlemen's Agreement," but she has realized that it is not to her best interest to have too large a number of her race left adrift on the Pacific coast. Her surplus population can more conveniently be taken care of in the East, where it will do a permanent good. We are not, therefore, pressing for uncompromising application of the principle of equality in all its practical implications. We are simply asking that those of our race who are already there shall be decently treated and that no discriminatory legislations that violate the principle shall be enacted. We know that the road to freedom is long and much tact and patience is necessary to travel on that road. We will on our part do all that is necessary from the point of view of practical expediency, but we can not sacrifice the principle itself. The essential features of the principle must be preserved for the sake of the humanity of the world, if for no other purpose.

I can not refrain from reminding readers of the sanity of the "Gentlemen's Agreement." As a practical policy, the Californian problem is essentially a diplomatic one and can be dealt with satisfactorily in no other spirit than that of the "Gentlemen's Agreement." With a proper precaution it can safely be left to natural solution. Unassimilable elements, after they have performed their useful function, will eventually return home, and the native-born minors, given legitimate opportunities, will shift for themselves. I recall the impression I had a few years ago in the course of conversation with a certain prominent Japanese in California. He spoke encouragingly about the prospect of these boys going to east and South America as vanguards of the American business in these directions. It will

be a graceful irony of fate if America educates them, uses them, and sends them back in that capacity. After

all, God is great and His resourceful work can not be limited by the short-spained vision of men.

Hawaii's Experience with the Japanese

By DOREMUS SCUDDER¹

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IN 1902-1903 while in Japan furbishing my scanty knowledge of the Japanese language and getting in touch with conditions that influenced the movement of immigration to Hawaii and to the mainland of the United States, finding myself in Shibata, a town in the prefecture of Niigata where years before I had served as a missionary, I was surprised by a number of country folk calling upon me to carry personal messages of some importance to their relatives in the Hawaiian Islands. This led in time to an arrangement with the Home Department of the Japanese Government by which I toured under official supervision parts of the seven prefectures, whence the largest number of emigrants had set forth and gathered in writing something over 3,300 separate messages from the home folk to their oversea relatives. When I returned to Hawaii in 1903 to take up religious work among Japanese there, and shortly thereafter to succeed to the position of General Superintendent and Secretary of the Hawaiian Board of Missions, I visited all but one of the Island sugar plantations—the exception being a very small affair since discontinued—and succeeded in delivering a little more than one-third of these messages, the other two-thirds representing Japanese who had gone to the American mainland or died or changed their

names. This experience brought me into closest touch with industrial conditions in the Islands and with the inside of the entire question of Japanese immigration.

In considering any industrial phase of Hawaii's life, the climate which irresistibly solicits to out-of-doors must be kept in mind. Hence, although in 1903 housing conditions for Oriental laborers were in not a few plantations atrocious from a mainland point of view, they were not nearly as bad as they looked. The old time contract labor system which cursed Hawaii up to annexation, while no longer in force, had left survivals in the shape of a few unsocial if not cruel field bosses and in some places an atmosphere of coercion; but these soon disappeared under the influence of the American spirit. These reminiscences of past abuses occasioned here and there a local strike but without violence or destruction of property and quietly ended through the reasonableness of Island capital.

Larger opportunities for amassing what to Japanese farm laborers seemed a fortune were in 1903 and subsequent years luring thousands from Hawaii to California. That was the day of somewhat unscrupulous and often grafting emigration companies which sprang up by the dozen in various parts of Japan, and won a golden harvest for their promoters. Hearsay affirmed that some of these were not averse to the practice of reaping a crop

¹ Former Editor of: *The Friend*, Honolulu. Author of *Our Children for Christ* (1899), *The Passion for Reality* (1910).—THE EDITOR.

of fees from emigrants by persuading them to go to Hawaii and then securing another by enticing them farther east. When, however, the San Francisco school agitation over the Japanese arose in 1906 and finally issued in the "Gentlemen's Agreement," these exploiting emigration companies lapsed and Japanese, passported to Hawaii, were no longer able to enter California.

There have been two major strike movements among Japanese workmen in Hawaii, one in 1909 and the other in 1920. Both were conspicuously peaceful. When it is borne in mind that millions of dollars of damage might easily have been wrought by these plantation hands by setting fire to cane fields, the pacific conduct and self-control of Oriental workmen in times of labor disputes in Hawaii is all the more noteworthy. Both strikes were as a matter of course charged by capital to labor agitators. But the agitator is powerless without a grievance. In the earlier of these two disputes the Japanese struck for wages equal to that paid to Portuguese for the same work. Portuguese, being whites, were paid on what might be called a white standard and Japanese on an Oriental standard. The strike was lost but the plantations promptly set to work to devise wage scales which included bonuses in proportion to the selling price of sugar, and to extend the letting out of field work and in some cases of mill work by contract, both of which ensured far larger financial returns to the workmen. They also began to give most intelligent attention to proper housing, to measures of hygiene and to the addition of welfare features calculated to make the lot of the plantation laborer desirable. In effect, therefore, the strike was a victory for labor as it started the leading plantations upon a new and highly commendable road toward the goal of a unity of

interests on the part of both capital and labor in the Islands.

In my round of the plantations in 1903-1904 I found very few Japanese who really planned to make Hawaii their permanent home. Almost all who could do so sent their children to Japan for education. The outlook of these laborers was typically Japanese. Their Buddhist temples were frankly centers of Nipponese influence, aiming in every way to maintain and cultivate Yamato Damashii.¹ A number of families with many children, however, sadly confessed to me that hope of returning to their native land was forlorn indeed, as wages just enabled them to keep all mouths filled and left no margin for the expense of getting home, let alone savings for support after reaching there.

With the years a changed sentiment grew into power unconsciously. This was due in very large part, I have little doubt, to the leaven of Christian teaching which included the propaganda of loyalty to the nation in which an ever-increasing number of Japanese were perforce certain to make their permanent home. Besides this propaganda which was steadily pushed by Christian Japanese evangelists, after 1906 publicists in Japan itself, sensing the danger to peaceful Japan-American relations that might be caused by a large group of people in Hawaii alien at heart, set themselves to urge their countrymen in the Islands to cultivate Americanism and fit themselves and their children to become loyal citizens of the Republic. To this end some of the ablest men in Japan, including the Head of the Nishi Hongwanji sect of Buddhists, the most popular denomination of that religion in Hawaii, visited the Islands and addressed vast audiences enforcing this message with all the eloquence

¹ The spirit of Yamato or of the very heart of Japan.

at their command and with pertinent historic allusions so forceful to the Japanese mind. This movement fell naturally in with the well-nigh irresistible influence which is exerted by America upon immigrants of all races and which woos them to surrender all thought of returning to their country and to make America their real homeland. Hawaii excels the mainland in creating this influence. By 1910 this sentiment "Stay in America and make it your country" had become dominant among Japanese in the Islands. Children were increasingly kept by their parents and educated for American life.

This campaign to lead Island Japanese to become Americans at heart, synchronous with the growing confession by capital of the solidarity of its own and labor's interests, a confession expressed in deeds not words, was pushed still farther after California's unfortunate anti-Japanese legislation of 1913. The opening of the Great War only increased the volume of this movement. By 1915 definite plans for Americanizing not only Island Japanese but also all other aliens, as well as for fostering a more intelligent citizenship among native born, were instituted and put into effect. To these the Japanese responded well. When the Hawaiian National Guard was enlarged young Japanese enlisted and the tide of loyalty rose very high.

America's entrance into the war brought to the Islands as well as to other parts of the United States not only intensification of nationalistic spirit but also the fierce intolerance which culminated in the enactment by Congress of the Sedition Law. Hawaii has ever since its entrance into the Union been more glowingly loyal than the mainland. More than a year after the war ended its Yale men voted with but two protesting voices against the use

of the most popular song of the college, because it was married to German music—a unique majority among Yale alumni and thoroughly characteristic of Island spirit. While no part of the population was more loyal to the nation during the great struggle than the Japanese, it was inevitable that the narrowness of the nationalistic spirit evoked by the war would if uncombated finally rouse itself against the large number of Japanese, who by the terms of law interpreted by the Federal District Court in Honolulu were incapable of becoming full American citizens.

Over in California this sentiment of opposition was being pushed again to the extreme by the group whose unit may well be called the professional Japanese hater. Every advantage was taken of the nationalistic wave by this coterie and the campaign there was in full career as soon as the armistice gave the people a pause from war enthusiasm to make plans for this allied species of martial spirit. In the absence of a united Christian protest to this manifestation of race prejudice, the pendulum of public opinion swung over to the limit registered in the election of November, 1920.

Unfortunately for Hawaii the two experienced editors of its leading dailies left the Territory during the war for service, one in Japan and the other under the American Red Cross in Siberia, and their places fell to men in sympathy with anti-Japanese agitation. At once the friendly tone which had characterized these journals so long that it had become a cherished tradition was abandoned, and every possible chance seemed to be taken to antagonize and nag the Japanese people.

The Buddhist school situation offered a very convenient and inevitable opportunity. As far back as 1904 it

became clear to those in close touch with the situation that the Buddhist schools were a menace to the higher interests of the Territory. It was natural and deserved nothing but praise that the religious leaders of the Japanese should be solicitous for the interests of their countrymen transplanted from the homeland to far-off Hawaii and deprived of the restraints of old time customs. Hence several sects of Buddhists sent priests oversea to care for their parishioners. If the Japanese had been suffered at their own expense to maintain their religious institutions the results would have been far healthier, but a number of the best plantations built temples for the Buddhist sects and on occasion subsidized the clergy. When it was proposed to open schools to teach Japanese children the language of their parents, using hours before and after public school sessions, the Buddhists pressed into the movement and too often encouraged by the financial support of the plantation managers erected schools under their own management to help supply the demand. These Buddhist schools from the first were centers of pro-Japanese and often of anti-American influence. It was carefully and repeatedly pointed out by the leaders of Christian work in Hawaii that this policy of subsidizing Buddhist temples and schools was unwise but plantation managers were deaf to all warnings.

Finally the progressive Japanese themselves recognized the danger in these Buddhist institutions and loyal to America began to establish independent non-religious schools to enable their children to use both English and Japanese and thus to function more largely in the inevitably developing relationships between America and Japan. In order to counteract the pernicious influence of these Buddhist institutions the Hawaiian Board had

encouraged its Japanese evangelists to maintain schools for teaching Japanese, but as soon as this independent non-religious movement began actually to function, the Board threw all its influence in its favor and the Christian Japanese united with the supporters of these schools in an endeavor to lead the Buddhists to come into the combination. By this time Buddhist interests had become vested and temple positions very valuable financially, so that this endeavor failed.

Inevitably the existence of these schools teaching Japanese and especially the leaning of the Buddhist institutions towards Japan offered a golden opportunity to the exaggerated nationalistic spirit that followed the war. The newspapers raised the hue and cry against all Japanese schools and a bill aimed at them was introduced into the Legislature in 1919. The fight waxed hot, and though the bill was not carried, the defeat acted as a boomerang because of the unwisdom of the Buddhist opposition to it. The manner of this opposition laid these religionists under suspicion of anti-Americanism. The press never let up for a moment harping upon the alleged disloyalty of the Buddhists and of other influential Japanese to American institutions.

This nagging, the tone and expression of which were often insulting to Japanese, however loyal to America they were, finally resulted in influencing the industrial situation. Little by little things went from bad to worse until the strike of 1920 was fairly forced by the ill temper aroused. The grievances of the laborers though real were by no means sufficient to have caused the break. The strike was doomed from the outset to failure. It cost both sides a great amount of money and it left its sting.

Without question its ultimate result will be such a fair consideration of the

matters in dispute that the plantation management will remove whatever industrial causes the strike had. An extensive system of welfare work is planned, and all the resources of the most scientific and, humanitarially speaking, the wisest great agricultural combination in the world will doubtless be utilized to make the workers realize that they are a part of the business and that capital and labor must fraternize and pull together in bona-fide unity.

One unfortunate result of this disturbance was the effect it produced upon a number of the hitherto staunch friends of the Japanese in Hawaii. The strike menaced these men's interests. They thought the workers ungrateful in striking when their earnings were unusually high. The money nerve being jolted, they went over into the anti-Japanese camp.

Another more important loss to Hawaii was a large emigration of American citizens of Japanese parentage. Every year now an increasing number of Japanese, who because of American birth are citizens of the United States, reach voting age. Many of these are well educated, thoughtful, earnest young fellows, as good stuff for the making of loyal, intelligent citizens as men of any racial stock. The war also led to the naturalization of a number of young Japanese who had served in the American army. The press attitude toward the people of their fathers was so unjust and extreme that a considerable number of the very best American citizens of Japanese parentage left for the mainland states, because they believed that the embittered sentiment of Hawaii would prevent their own industrial advancement.

There can be no question that this recrudescence of anti-Japanism in the Islands was in part due to the unfortunate policy of Japan's militarist government in the Far East. The twenty-one articles of 1915 through which

Japan proposed to absorb the sovereignty of China, the Ishii-Lansing agreement, read by Japan's representatives in an innocent-looking way in America but interpreted by her statesmen in the Far East as inexorably to favor Japanese paramountcy, the secret agreements wrung from England and France in the dark days of 1917, the Shantung articles of the Versailles treaty and the disgraceful story of the Mikado's forces in Siberia developed profound distrust of Japan's good faith and dislike of a nation guilty of a policy so essentially Teutonic.

But Hawaii can not do without the Japanese unless our Government allows her gradually to replace these skillful laborers with Chinese. It is too late to disfranchise the more than 20,000 young Americans of Japanese parentage. They can be largely driven out economically and scattered over the States, although this method of riddance is hardly likely to be employed. Their participation in the government of Hawaii may be avoided by persuading Congress to give to the Territory government by a commission appointed in Washington. This has been advocated at times in army and navy circles but money considerations have not as yet proved powerful enough so to debauch the consciences of white Americans there as to lead them to acquiesce in such an unwise and unjust solution of the problem.

The human way out, which is also Christian, is to treat the Japanese as brothers. A very good beginning at this has been made. With their welfare program the plantations lean toward it as good policy. Hawaii knows by experience that the Oriental is as assimilable and as readily Americanized as the average Occidental. At present in our home a young American girl of Chinese parentage lives as one of the family. She attends the local High School and is considered one of the

brightest scholars in her class. In a few years she will vote. After months of observation of her I should as quickly trust her intelligence, wisdom and moral power to cast her ballot for the common weal as the average American girl of Anglo-Saxon blood of the same age. Such instances Hawaii can duplicate by the hundred among American citizens of Oriental extraction. One of the most useful and thoroughly reliable young men I know in Hawaii, a graduate of one of our eastern universities, is a Japanese prevented from becoming a citizen because of birth in Japan, some months before his parents moved to Hawaii. He is a bulwark of Americanism in the Islands. If he could be naturalized, as he greatly desires, he would be one of the most valuable citizens of any race there.

The difficulty with this whole problem of the Japanese in the United States arises from the decision of some of our courts that they are ineligible to naturalization. For some years the Takao Ozawa case has been before the Supreme Court awaiting the decision of this question which has more court pronouncements in favor of eligibility than against it. If once our country should put Orientals on a plane with other aliens and admit them to citizenship after their being duly qualified, they would cease to be a makeweight in politics. As long as we discriminate against them—a fundamental human injustice—we shall have trouble not with them, for they are not trouble makers, but over them.

With the steadily growing trend of Americans away from the country to the city, we may as a nation soon be in acute distress for lack of farm laborers. This distress Japan and China can alleviate. A wise statesmanship would plan for a measured and well distributed immigration of Orientals into sections where such workers are needed. We took the Indians' land because

they were not developing it. If we in turn fail to make the most of our broad acres because our people will not till the soil, we array against ourselves like economic forces which can not eventually be kept from supplying man power to meet the demand of physical nature for development. The California method is anti-human, anti-Christian, anti-fraternal and is doomed to be supplanted. This is God's world and He has a way of working irresistibly toward His goal of one great human family. Peaceful progress thereto can be made if we will. If we will not, cataclysmic movement in the same direction may be nature's way of getting there.

While this is true, it is also undeniable that immigration should be regulated so as not to disturb unduly economic conditions in our country. Our present haphazard system should give way to one in which the advice of experts should be sought and immigration encouraged for definite ends. Hawaii is a standing demonstration of America's power to absorb relatively an enormous immigration and yet maintain a dominant Americanism. Because 109,269 of its total population of 255,512 are Japanese it is frequently referred to as Japanese in character and civilization. This is absolutely foreign to the truth.

Having lived for years in Greater Boston, New York, Chicago and San Francisco, I found Hawaii during my fourteen years there as distinctively American as any of these other centers. It behooves our countrymen to have faith in America. Our spirit especially where it exists in purity as it does in Hawaii is irresistible. European and Asiatic alike are charmed with it and get quickly to work to make it their own. After all Americanism at its best is brotherhood and where brotherhood is honestly worked it is the strongest human force on earth.

Some Factors Involved in Minimizing Race Friction on the Pacific Coast

By JESSE FREDERICK STEINER

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THE Japanese seem to be without doubt the most unpopular of all our immigrant peoples. Ever since they began to arrive on the Pacific Coast in sufficient numbers to attract attention they have been the subject of controversy at times so bitter that it has threatened to involve us in war with Japan. To all outward appearances the general attitude of Americans toward the Japanese is not becoming more favorable. Our newspaper press is again giving prominent space to our supposed grievances against the Japanese. While primarily this discussion centers around the situation in California, there is considerable evidence that throughout our whole country there exists an undercurrent of dislike for the Japanese that is brought to the surface upon slight provocation.

The interesting feature of this whole problem is that no charges are brought against the Japanese of incompetency, shiftlessness, lawlessness or revolutionary tendencies. On the contrary, even their enemies admit that they possess the qualities that are necessary for industrial success. If judgment is passed upon them from the point of view of thrift and enterprise and real ability to succeed, they must be given high rank among all our immigrant groups.

There is real justification, therefore, for the constantly recurring question as to what is after all the root of the whole difficulty. Why should the Japanese be denied what is so readily granted to the seemingly less competent immigrants from southern Europe? Where shall we find a satisfac-

tory explanation of the sharp discrimination against the Japanese? What is the way out of this clash of interest between the East and the West?

If we turn to our Federal Government for light on these questions, we are given a carefully guarded statement to the effect that there are no serious issues at stake between Japan and America. Our idealists calmly assure us that the trouble is at bottom economic rivalry which will decrease as the Japanese become better assimilated. The sensational newspaper press points out that Japan's interests will always clash with ours and that therefore we can not count on the loyalty of the Japanese immigrants. Those interested in the situation in the Orient state that Japan is using purposely the anti-Japanese agitation in California as a cloak behind which to hide her far-reaching plans for the exploitation of China and Manchuria. The Californians urge that Japanese aggression, if unchecked, will ultimately endanger white control of their state. The laboring classes insist that their situation becomes unendurable when they are subjected to competition with Orientals. The student of racial problems is confident that race friction is an inevitable result when races as unlike as the Japanese and Americans are brought into economic competition.

With this bewildering array of contradictory opinions it is not surprising to find many people, both Japanese and Americans, confused about the real issues involved and uncertain where to look for a solution. A recent significant effort to secure light on this

¹ Author of *The Japanese Invasion* (1917).

perplexing problem has been made by Dr. Tasuku Harada, a well-known educator in Japan, formerly President of Doshisha University in Kyoto. Dr. Harada, who came to this country as a representative of the America-Japan Relations Committee of Japan, sent out a questionnaire to a number of leading Americans, in which he sought their views concerning some fundamental aspects of the Japanese problem. Among the responses made to this questionnaire the one submitted by Dr. Robert E. Park of the University of Chicago bears so directly upon this present discussion that his permission was secured to make quotations from it. In reply to Dr. Harada's first question, "What do you consider the principal reasons of the present anti-Japanese agitations in California; economic, social or racial," Dr. Park makes this convincing statement concerning the fundamental issue:

Racial competition, *i.e.*, competition between peoples differing in culture, language and race. Where racial differences are as marked, as they are in the case of the Japanese and the American, public sentiment opposes intermarriage. ~~Where inter-~~ marriage does not take place assimilation is never complete and the difficulty of two races mutually accommodating themselves to one another, while maintaining each a separate racial existence, is bound to be very great. A racial group which is small in numbers, intimate, compact and well organized, as is the case with the Jew and the Japanese, has, in the long run, great advantages in competition with a larger and less organized community. If there are already racial prejudices, this kind of competition intensifies them.

A race problem growing out of the intermingling of races unlike in color and physical characteristics is, as James Bryce has said, the despair of statesmen. To the truth of this statement the long history of the association

of the white and colored races bears abundant witness. Generations of contact upon a basis of social inequality, whether in the form of slavery, exploitation or benevolent paternalism, have influenced our social traditions so deeply that we are disposed to react unfavorably to any suggestion looking toward social equality with the colored races. Traditionally they belong to a different caste with its prescribed limitations and sharply defined boundary lines. That this status should always be quietly acquiesced in is of course unthinkable. As a matter of fact the increasing determination of the colored races to insist upon equal rights has found its most recent and powerful expression in the Japanese whose national solidarity and strength fit them for this leadership. This long drawn out struggle, even though carried on along peaceful lines, is bound to bring with it race friction with all its attendant evils.

Here appears the fundamental difference between our Oriental and European immigration. The former involves a sufficient unlikeness of physical characteristics to make race fusion at least for the present impracticable; the latter is concerned with people who, however widely they may vary in culture and social status, in their physical appearance approximate very closely the usual American types. This distinction between the two types of immigrants is very apparent but its significance is not always kept clearly in mind. In discussions of the immigrant problem emphasis is usually placed on the adaptability of the incoming race to its new environment, by which is meant the ability to acquire the language of the people with whom they associate and to adopt their customs, habits and attitudes of mind. This matter of social assimilation is very rightly made an important test of

the fitness of any alien people for participation in American life. Its usefulness as a test, however, is somewhat invalidated if there exists in the race concerned any significant racial peculiarities not susceptible of modification through this assimilative process. When races unlike in physical appearance are thrown together, it is evident that social assimilation can bring about at best only mental and not physical homogeneity. Whatever like-mindedness may be achieved, these racial marks still exist and cause them to be classified as members of their original race group.

No matter, therefore, how responsive the Japanese may be to their American environment, they must still form a separate group easily distinguished from people of the west. Their physical type marks them out as Orientals wherever they are. The race prejudice, which all aliens must face to a greater or less extent, tends to be perpetuated in the case of the Japanese long after the usual adjustments to their new environment have been made. The judgment that we pass upon the most cultured Japanese is colored by our instinctively unfavorable reaction to alien types. More serious even than this, they stand out as a symbol of the fears, dislikes and prejudices which enter into our traditional conception of the Asiatics. In spite of their evident efforts to adapt themselves to American conditions, our attitude of dislike remains unchanged. A decade or more ago we condemned them as undesirable because they were willing to work for low wages and brought with them such a low standard of living. Today, they are still unpopular and the charges made against them are that they demand high wages, insist upon owning land, are successful in business

competition, and desire to establish themselves as residents in white communities. The qualities that would ordinarily command respect become in their case a reproach and intensify our determination to have nothing to do with them.

If the underlying causes of race friction on the Pacific Coast are rooted in the fact of competition with a race so different from ours that complete assimilation is impossible, it is evident that no simple way out of the difficulty can be found. In reply to a further question in the questionnaire above referred to, in regard to a permanent solution of the Japanese problem, Dr. Park has this to say:

Competition between Japan and the United States, with a certain amount of irritation on both sides, is inevitable. However, Japan is more likely than the United States to profit by a quarrel in which the issue is one of race discrimination. If the people of California realized this fact it might considerably modify their attitude towards the present agitation. But the Japanese problem is a race problem; race problems are rooted in human nature; human nature changes, to be sure, but changes very slowly. First of all, it is important to recognize the facts. Race prejudice does exist. Just how this prejudice can be modified is a matter of which we know as yet too little. The experiences of groups of individuals who are now seeking to change racial prejudices in the communities in which they live are our only sources of information. What these experiences are, the Japanese Society knows better than anyone else.

The significance of this statement lies in the fact that it points out the nature of the issues involved and indicates that a satisfactory solution in the near future can not readily be brought about. Race prejudice dies down very slowly even under the most favorable circumstances. As a matter

of fact race problems are too deep-seated and too complicated to justify any hope that even the most enlightened legislative action would mean a final solution. The best that can be done is to take such steps as may reasonably be expected to bring about a gradual decrease of race friction.

While in problems of this kind grievances of course exist on both sides, there are two outstanding grievances the Japanese hold against the Americans, the removal of which will go far toward bringing about more harmonious relations between the two peoples. The first is the demand on the Pacific Coast for rigid exclusion laws aimed directly against the Japanese. That there must be a barrier to hold back the tide of Japanese immigration all agree. The Japanese conceded this fundamentally essential point more than a decade ago. At that time they undertook to restrict immigration to America by setting up and enforcing their own regulations and have evidently carried out their part of the agreement in good faith. The figures just made public in the 1920 census report show no alarming increase in our Japanese population. The chief increase in fact has largely consisted of Japanese women which will make possible a more normal family life for our Japanese population, and can be objected to only by those who favor such drastic measures as would ultimately drive all Japanese out of our country.

Nevertheless, in spite of the fact that the Japanese and the American governments have in force an agreement for the restriction of Japanese immigration, there is a persistent agitation in California for a new treaty with Japan in which should be definitely included an exclusion clause. Such a demand is a blow against the

self-respect of the Japanese which is bound to increase race friction. Certainly nothing can be gained by any failure on our part to pay due regard to the sensitiveness of the Japanese on the subject of race discrimination. The propaganda carried on by the Japanese Exclusion League of California and by a certain portion of our newspaper press for rigid exclusion laws is very ill-advised and, if persisted in, may lead to more serious racial misunderstandings.

The other serious grievance against America is our refusal to grant to the Japanese the rights of citizenship. Such a course of action is essentially unjust and is evidence of our disinclination to give the Japanese immigrants a fair chance to make good in our country. In spite of the fact that they have been lawfully admitted to America, they are condemned to remain among us as aliens and are therefore subject to all the disabilities that we may choose to inflict upon those who retain their foreign status. Nothing can be more detrimental to our welfare than to have in our midst an alien group which can not look forward to active participation in our political life. The Japanese are right in demanding that steps be taken by our Federal Government to give the Orientals who can qualify the same rights of citizenship as are open to other foreigners.

The importance of such a step in decreasing race friction between Japan and America can hardly be overestimated. The time has gone by when complete isolation of races is possible. The Japanese in considerable numbers are here among us and no matter what barriers are raised against their coming, we have every reason to believe that we will always be thrown in contact with them.

Sound statesmanship demands a policy that looks toward a more intimate relationship in the future between the East and the West rather than to a more complete separation.

Desirable as may seem these practical measures designed to diminish race friction, it is useless to ignore the serious difficulties in the way of putting them into effect. It must be borne in mind that the Americans and Japanese are approaching the problem of racial contacts from fundamentally opposing points of view. To the Americans the proper solution seems to be the caste system which has been our traditional method of establishing a working relationship with the colored races. Under this system the Japanese are assigned a definite status and racial harmony prevails as long as this status is maintained.

The Japanese on the other hand insist that their association with us shall be on the basis of race equality. That they should be permanently made to occupy an inferior place or forced into a position where they do not have full enjoyment of economic and political oppor-

tunities is from their point of view unjust and therefore intolerable.

When the issue is stated in these terms, the significant nature of the controversy is apparent. It is very evident that America has allowed itself to be placed in an awkward position that is rapidly becoming untenable. Our treatment of the Orientals can not gain wide and continued support because it is economically unsound and contrary to our political ideals. In a dispute of this kind the Japanese have everything to gain by keeping in the foreground the issue of race discrimination. Their desire to remove the stigma of racial inequality must gain increasing support among thoughtful and high-minded people. Any determined and widespread opposition to them in this struggle will simply strengthen their national solidarity and make their leadership in the Orient more secure. Our future peaceful relations with the whole Orient depends upon our ability to develop a national policy that will diminish rather than increase race friction on the Pacific Coast.

THE MEXICAN IMMIGRANT

Some Observations on Mexican Immigration

By HON. JAMES L. SLAYDEN¹

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THE importance of the question of immigration from Mexico can hardly be overestimated. It has a direct bearing on the general subject of immigration which Congress has been considering for years, and which has not yet been solved. It is tied up with the greatest of all of our problems, that of race mingling. It may be, roughly speaking, considered from three angles, economical, racial and political.

Economically considered, the Mexican immigrant is usually well received. Until a very recent time there has been no real protest, for he nearly always went straight to the farms where his labor was most urgently needed, or into domestic service where clamorous housewives welcomed him in spite of his hopeless inefficiency.

Having practically no training in the mechanic arts his occasional essay in that direction only excited the contempt of trade-unionists. He was not regarded as even a possible competitor for their jobs, but there begin to be signs that the unionists are changing their minds in that respect with the natural, resultant suspicion and antagonism. When contractors for barracks and other United States army buildings, working on the extravagant cost plus 10 per cent plan in 1917 and 1918, employed hundreds of Mexicans as carpenters who hardly knew a saw

from a hammer and paid them six to seven dollars for an abbreviated eight-hour day, organized labor began to take notice. They were not efficient, but the 10 per cent was made bigger and bigger all the time. The farmers and other employers of labor are still complaining that it ruined them, and the farmers say that it is no longer possible to grow crops profitably.

FARM EMPLOYMENT

Farmers in the Southwest habitually plant more cotton than they and their families can cultivate, even with the help of such laborers as are more or less permanently attached to the plantations. Cotton is an exacting crop and must have prompt attention at certain periods in its growth. It matures during July, August and September, and if not "picked" (harvested) by the end of November it is in serious danger of being damaged by rain and storms. Thus it becomes necessary to pick it with great haste and that makes strong competition for labor. This same demand for labor in the fields empties the kitchens and arouses the indignation of housekeepers. Industrious, capable cotton pickers earned from four to six dollars a day during the season just closed.

To supply this labor so urgently needed—a necessity that has been emphasized by the movement of Negroes from the farms—it has been the practice for many years to bring in Mexicans. Before the enactment of the Contract Labor Law it was easy to do this.

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—The Editor.

Neighbors would combine and send an agent to Northern Mexico and he would bring back the number needed and distribute them among the farmers contributing to the enterprise.

As a rule these contracts between employer and employe were faithfully executed and time and time again the same Mexicans would return to Texas and work on the same farms. Now and then one more ambitious than the rest would acquire land by lease or purchase and begin farming on his own account, and one more piece of raw material was thrown into the American melting-pot. Usually, however, they would go back to Mexico to display or dissipate their earnings, for the average Mexican is as prodigal as the Negro who is, perhaps, the greatest spendthrift in the world.

The law that made it illegal to contract for alien labor was a blow to the farmers, and some of them, through ignorance of the law, found themselves in trouble with the Federal courts. Its enforcement caused a serious stringency in the farm labor market. However, the Mexicans who wanted to come to Texas to pick cotton and earn in six weeks more than they ordinarily earned at home in six months had learned when they would be needed and many came without contracts but with the certainty of employment.

Then in 1917 Congress put another barrier in the way of the cotton planter. The entrance head tax was increased to eight dollars and the rules for inspection were made much more rigid. It is doubtful if this law has had the effect of lessening legal immigration from Mexico to the United States, but it has certainly increased the number of illegal entries.

For about a thousand miles Texas is separated from Mexico by the Rio Grande, which for eleven months of the year can be waded by a ten-year

old boy, and it is much cheaper to wade than to pay the head tax of eight dollars, and so 75 per cent of the Mexican immigrants scorn the conveniences of the established stations and come over without the knowledge of the agents of the law.

There is evidence available to American officials that some of the underpaid officers of Mexico have suggested "through a friend" to intending emigrants to the United States that if they must leave their own country they can avoid the examination, fumigation, and especially the tax of eight dollars, by crossing above or below the established stations and save at least four dollars, the other four being paid to the "friend" of the officer.

Two Mexicans were arrested in San Antonio during the week in which this is written, each of whom had on his person a card, printed in Spanish, saying that the man who presented it would put intending emigrants into the United States for half the head tax exacted at the stations. The card also said that the people who undertook to do this service were headquarters for the distribution of Bolshevik literature. This story is from an absolutely reliable source.

It is not an exaggeration to say that three-fourths of the immigrants from Mexico to the United States in the last three and a half years have come in illegally.

The demand for Mexican laborers is widespread and they can now be found as far north as Minneapolis and Chicago and east to the Mississippi River. Nearly all the great railways between the Alleghenies and the Pacific have some Mexicans employed as section hands. The competition of railways for laborers from Mexico, on whom farmers feel they have a prior claim, is not welcomed by the latter. They discovered them, and first brought

them over, and they feel that they should be left for farm service.

It is becoming difficult to keep these imported workers on the farms for, like the negroes, they are gregarious, want to be with their countrymen, and have developed a taste for the movies and the white lights. Equal remuneration will take them all away from the farms and to the city as they never consider the increased cost of living there.

Ever since the head tax was doubled and more stringent regulations for the inspection of the immigrant to ascertain his moral, mental and physical fitness for residence or citizenship in the United States were put into operation, there has been little or no decline in the authorized entries. This is probably due to the fact that importers of such labor urgently need the workmen and are willing to pay the tax to keep the immigrant in hand. If he crossed illegally he would have to be hunted for in Texas, and that would be an appalling task. These admissions by permission of the Department of Labor really appear to be in violation of the spirit and letter of the act of February, 1917. The Commissioner-General of Immigration in his report for the fiscal year of 1919 says that "availing itself of the discretionary power conferred by Section 3 of the Immigration Law to admit for temporary purposes aliens otherwise inadmissible, the department, in answer to insistent demands, authorized the suspension of the contract labor, head tax, and illiteracy test provisions of that law in favor of aliens from Mexico coming to the United States for employment in agricultural pursuits, as railroad laborers, for certain work on buildings under construction by the Government, or to do common labor in mines." These "insistent" demands were made by farmers, railway

officials, Boards of Trade and other civic organizations.

Between July 1, 1918 and July 30, 1919, the period covered by the last available report, there were admitted under these arrangements 20,643 Mexican aliens. In the same year there were admitted 9,000 others, but, presumably, in full compliance with the text of the law. All of them were distributed to Texas, Arizona, California, Idaho and other states. Farms took 10,491, and the railways about 10,000. Texas, as usual, absorbed the larger number. At the present time the admission of aliens who do not meet the requirements of law is limited to farm labor; yet the fact seems to be that once in the country these immigrants find a way to avoid the conditions of admission and join their fellow countrymen who are employed in towns and on railways. They dislike the comparative isolation of farm life, and know that where two or three Mexicans are gathered together there is sure to be a game of chance—a lure that few men of their race can resist. During February, March and April of 1920 they came to Texas in appalling numbers. There were so few immigration guards and officials on the border that it was impossible to stop the invasion. Hundreds of them, ragged, filthy paupers who could not have paid the head tax and crossed legally, came with wives and children, and made their way to San Antonio, regarded by the average Mexican as the one real metropolis of the United States.

At times hundreds of them were trailing the roads between San Antonio and Laredo. They came in any vehicle they could buy or get, but by far the greater number were afoot without baggage or food. To supply these deficiencies they would stop here and there to do a day's work or beg, and the beggars of Spain and Italy are

the merest amateurs compared to those of Mexico.

Two thousand or more of them were gathered in San Antonio at one time. During March, 1920 the Associated Charities had to feed three hundred or more daily for about a week while efforts were made to put them on a self-supporting basis.

Inquiries at the Chamber of Commerce, which had undertaken to find employment for them, brought the information that they were distributed to farms, and were being paid a wage of from a dollar and a half to two dollars per day. On the other hand, a labor organization (the Trades Assembly) denied the statement of the Chamber of Commerce and contended that they were taking the places of mechanics and other workers in the town; but, as the writer has been told, the Assembly could not tell where they were employed, nor from whom they got the information that they were so employed.

While these refugees from the "poverty and scorn" of Mexico were eating the bread of charity in San Antonio the Fall committee, from the Senate, which seemed to be seeking a cause for quarrel with Mexico, arrived. They tried to find the cause for such an extraordinary invasion, and to learn from what part of Mexico it came. The local United States immigration office declares that the enquiry developed the fact that the greater number came from southern and central Mexico, quite distinguishing it from the steady flow of immigration from the border states. The witnesses said they came because it was impossible to get food and clothes in their own country, that they were trying to escape starvation, and had walked most of the way. They were headed for the Promised Land, and no obstacle was insuperable.

As in all invasions of this sort more

human derelicts were left in our larger towns, more beggars appeared on our streets, and the average of health in city and country was lowered appreciably. Life in the streets was made more picturesque and interesting for tourists, and units to swell the census totals were acquired, which, in the minds of some people, is compensation enough for the lowered standard of citizenship and the increased burden of taxation.

RACIAL AND POLITICAL

This steady incoming of an alien race, not altogether white, is welcomed by some Americans, tolerated by others and utterly abhorred by those who look beyond the next cotton crop or the betterment of railway lines.

Large planters short of labor, because of the extraordinary hegira of Negroes in the last few years, know their value and welcome the Mexican immigrants as they would welcome fresh arrivals from the Congo, without a thought of the social and political embarrassment to their country. On the other hand, the small southern farmers (and they are the greater number) who cultivate their land with the help of their children, do not want the Mexicans, and would gladly see the movement of Negroes go on until the last one was settled in New England or Illinois or wherever they may be most happy, prosperous and welcome.

But both Negroes and Mexicans are here yet in large numbers, and close observers begin to detect a feeling of jealousy and dislike between them. In Texas and other southern states the Mexican is classed as white in public conveyances, hotels and places of amusement which does not make for good feeling between him and the Negro, and the Mexican, even of very low class, is not much inclined to social intimacy with the latter,

That to substitute one for the other may be jumping from the frying-pan into the fire is a thought that will intrude itself.

Racially speaking, the Mexican immigrant does carry an element of danger, for it can not be denied that with the American masses who come in contact with him there exists a certain latent hostility. That this prejudice is mutual is amply shown day by day by the tone of Mexican newspapers, by the frantic appeals by the Mexican demagogue, by the testimony of travellers or American residents in Mexico, and by certain fantastic projects entertained from time to time in official circles during the administration of President Carranza. That he believed it possible to excite the American negroes to revolt is quite true, and that his emissaries undertook to execute the foolish scheme can not be doubted.

Less than eight years ago a party of Mexican revolutionists, as they called themselves, invaded Texas, declared the state reannexed to Mexico, proclaimed the "Plan of San Diego," and promised social and political supremacy to the negroes. They killed a few citizens of the United States, derailed a train and murdered the passengers, and destroyed property (the invariable curtain raiser to a Mexican revolution) but some straight-shooting Texans soon convinced them of the error of their way, and those who could sit a horse hurried back to the southern side of the Rio Bravo.

Politically the Mexicans were vastly more important in Texas a few years ago than they are now. The white population has increased much more rapidly than immigrants have come or Mexican children been born. This has made them politically impotent in spite of the fact that they are easily gathered into clubs or "juntas" and

voted solidly by their leaders. Amended election laws also had a part in destroying their political power. Every voter now pays a poll-tax many months before the election and must make his own ballot. Many Mexicans will not do the first and can not do the last. This may not be true of the next generation as they attend our public schools without cost, and are even provided with textbooks as freely as the children of our own citizens. Until very recently citizens of Bexar county, just outside of San Antonio, men of business in the city and taxpayers have been compelled to pay a special fee if their children attended the city schools while those of Mexican refugees, driven from home by revolutions, had textbooks and schooling without cost. This condition had to be changed because of the growing indignation on the part of the overburdened American taxpayers.

In Texas the word Mexican is used to indicate the race, not a citizen or subject of the country. There are probably 250,000 Mexicans in Texas who were born in the state but they are "Mexicans" just as all blacks are Negroes though they may have five generations of American ancestors.

Most Mexicans are Indians or *Mestizos* (mixed white and Indian blood) and between them and the other inhabitants of Mexico there is a sharply defined social distinction. The upper classes, of European ancestry, are frequently educated in Spain, France or the United States, and few of them become immigrants unless forced out by revolutions, when they go to San Antonio, El Paso or Los Angeles. At home they are the merchants, big planters, bankers and professional men.

With rare exceptions these people stay at home, look after their private affairs and do not meddle with politics. They would make good and useful

citizens of any country. When one of them does go in for politics (or revolution, which is the same thing in Mexico) he does more mischief, because above his wicked heart is a cleverer head. He easily becomes the leader of the low-browed, poverty-stricken peon class, and by perfervid appeals to the prejudice of the thoughtless and uneducated mass of Indians and the promise of an impossible Utopia quickly converts them into murderous bandits. Resounding phrases about the Constitution, whether that of 1857 or that of Queretaro, makes no difference—and the rights of the Indians, mixed with contemptuous remarks about the “Gringos” and the hated “Colossus of the North” soon can make fiends of otherwise quiet and useful men.

Of all people trying to conduct government the Mexican is most in need of wise and firm leaders. Of course it

is perilous to say it at this time when the “uplifter” is abroad in the land, but to the writer (and to most others who know Mexico) it seems essential, if the country is ever to be lifted out of carnage and chaos, to have some such man as Porfirio Diaz at the head of affairs. After fifty-six years of the most chaotic and bloody conditions he did create an orderly and nation-building government, and that is what Mexico must have or perish. Many people who know him hope that such a man has been found in Alvaro Obregon.

These are the people, high and low, from whom thousands of immigrants are coming to the United States. What it may mean for Americans in the future no one can tell. Probably our safety and peace lie in the fact that as yet so few of them, comparatively, are coming.

Immigration Along Our Southwest Border

By J. BLAINE GWIN

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PREVIOUS to 1910 the immigration from Mexico was due entirely to economic causes. Laborers came north with their families to work during the summer in the mines and at agricultural work but at the beginning of winter the majority would return to their homeland to spend their wages. In Mexico during that time laborers were paid only about twenty-five cents a day. Public records give only a very faint idea of the number that crossed the border previous to 1910. Little attempt was made to keep track of the ebb and flow of the tide of Mexican laborers.

At the beginning of the Mexican Revolution in 1910, the rush of Aliens to cross over into America constituted

a real menace to the health and standards of living for the border communities. The principal cause of this increased migration was revolutionary rather than economic. The majority of these immigrants remained in the States until about 1915 and since that time there has been a fairly steady stream of returning refugees and laborers. More have returned during the last few months than at any previous period due to the present peaceful conditions in Mexico. Most of these came north with no money and little clothing, sandals (huraches) instead of shoes, wide sombreros, and blankets wrapped around them instead of coats. They are returning with rolls of money, often several hundred dol-

lars, with good suitcases in their hands and most of them are dressed in the dearly-loved blue suits.

The return of peaceful conditions in Mexico will be sufficient to induce the return of Mexican business men or those owning mining property and haciendas, but a peaceful Mexico with little or no increase in wages will not be sufficient to interfere in any way with the migration of laborers to this country. The border states are competing with Mexico for these laborers and Mexico is not yet in a position to offer sufficient inducement to keep her workers at home, much as they are needed there to help rebuild the farms and industries. Labor in Mexico receives from fifty to seventy-five cents a day (American gold), and in the beet fields of this country, in the mines and in construction work they are getting from \$3.00 to \$5.35 per day. The farmers are paying \$2.00 with meals. I traveled through Mexico visiting all the principal towns from El Paso to Mexico City and made inquiries everywhere in regard to the cost of living down there. For the food, clothing and other things used by the better class, the cost is a little higher than in America, especially if they buy the best quality of food or clothing. For the laboring people, the peons, who eat the cheaper and more simple foods and wear work clothes which are made in Mexico, the cost of living is but little if any lower than it is in our country. As long as we offer the Mexican laborers much better pay than they can get at home they will continue to come here. It is not the scarcity of employment which is sending them from their homeland but the low wages and high cost of living.

During my trip I found but little idle labor in Mexico and that country has only just begun to reestablish her industries. That fruitful country can

not be fully prosperous and busy without her laborers. Mexico must begin to offer more effective competition to the demand for workers in the border states by materially increasing the wages of all her workers. The new Mexican government recognizes this obligation and wages will go up. Many American business men and employers have stated that wages for laborers in the southwest must come down. There is little likelihood of this for we need these Mexican laborers and must compete with their native land for them. American employers may be compelled to offer better competition in the future in the way of wages than they are giving now.

During the European war the provisions of the immigration law relating to the eight dollar head tax, the literacy test and contract labor were waived by this government for Mexican laborers needed in the beet fields and other agricultural work, for government construction work and for maintenance-of-way work on the railroads. These exceptions were discontinued December 31, 1919, and resumed by departmental order on February 19, 1920. At the present time these exceptions do not apply to construction or railroad work. The exceptions as to work in the beet fields are limited to certain states where this industry is most extensive.

In considering any statistics on immigration from Mexico it is necessary to remember that the boundary line is a long one, that immigration stations are far apart and that the consul fee of ten dollars for viséing a passport superimposed upon an eight dollar head tax provides a considerable incentive to unlawful entry to this country. Thousands do get across who have never seen an immigration station or one of the officials. This is admitted by the officials and is so stated in the

report of this department. One agent said he believed that 60,000 Mexicans crossed surreptitiously over the border which is included in his territory.

In 1915, or during the latter part of the revolutionary period, there were 65,248 admissions, statistical and non-statistical (the statistical are those who declare their intention of remaining longer than the six months period). Of these 4,273 were refused admission. In the year ending June 30, 1919, or during the period just before Mexico became peaceful, there were 105,078 admissions and the percentage of rejections was 3.55. During the next year, 1920, there was a total of 142,119 Mexicans who crossed our border and the percentage of rejections was only 2.86, which probably indicates a better class of immigrants or Mexicans in better condition physically and financially due to better conditions at home.

An analysis of the cause for excluding 2.86 per cent shows that only twenty-six were refused admission because of tuberculosis and yet a limited study I made while in Mexico would indicate considerable tuberculosis among the Mexicans. Tuberculosis is quite common among the Mexicans who live in the communities along the border and among those who work in the fields and mines. Six hundred and twenty-one were excluded because they were illiterate and 1,842 because they were likely to become a public charge. Only 555 were excluded because they could not pay the eight dollar head tax. This number does not represent the true situation as regards the effect of this tax upon immigration from Mexico. The small number recorded as excluded for this cause is due to the method used at the immigration stations and not to the small percentage of penniless aliens coming north. If applicants for admission do not have eight dollars they are told to return

across the line. They go back among their friends and most of them soon return with the money. Only those who return to say that they still do not have the money are recorded as having been refused entry.

The greatest number of these immigrants go to the states of Arizona and Texas. Only 203 for 1920 went to New Mexico and the same number to Iowa. Some go as far east as New Jersey and as far north as Montana. El Paso is the greatest port of entry, Eagle Pass ranks second followed by Del Rio and Laredo. They come from all parts of Mexico. The American consul at Guadalajara told me that 1,000 a month were coming to him for visés this year while only 5,000 applied for all 1919. According to the consul in Torreon over 2,000 came from there this year and the consul at Chihuahua estimates that 7,500 men, women and children of the laboring class left that district each year beginning January, 1918. He says that previous to 1910 about 2,000 a year left that district for this country. He estimates that only about 50 per cent of those leaving Chihuahua for the States ever return. These figures, except for Chihuahua, are for the number of laborers only and do not include the families they generally brought along. From as far south as San Luis Potosi, I learned that 1,867 laborers applied to the consul in 1919 and during the nine months of 1920 there were 2,165. About 500 a month come from Aguas Calientes and everywhere the figures show an increase for 1920 over 1919. The return of peaceful conditions in Mexico seems to have had no effect on immigration to the United States.

Employers of the southwest still think that the Department should continue to make exceptions as regards the head tax and the literacy test for laborers coming from Mexico to do

agricultural work. At the present time the supply of these laborers seems to just about equal the demand along the border states. They are doing work which there is some justification for believing would largely remain undone if there were no Mexicans to perform it. They generally possess a great deal of endurance, and most of the employers consider them satisfactory.

Are these excepted laborers being returned to Mexico at the expiration of the period for which they were admitted according to the condition on which they were admitted, or are they remaining here having gained illegal entry? If many are remaining, of what value is the head tax and the literacy test? If they avoid being returned what percentage of them are illiterates and if the exceptions were not made what percentage of Mexican laborers would be refused entry? These exceptions may have been necessary during the war, but the wisdom for their continuance should be the subject of a careful inquiry.

During the latter part of 1917 when these exceptions were first made 475 were admitted under the exceptions; 8,445 in 1918, 10,491 in 1919 and 21,289 in 1920, or since the exceptions were made, a total of 40,700. In addition there were 9,998 admitted in 1919 for railroad work. Where are these 50,000 Mexicans now, who came in without paying the head tax or submitting to the literacy test, admitted to meet an emergency, a shortage of labor during our war? On June 30, 1920, 22,637 were still employed; 17,186 had been returned to Mexico and 10,691 who were supposed to be returned had deserted their employers and no one knows where they are now. The employer is almost powerless to return these men even if he wished to do so and the Department has too few men to assist in enforcing their return.

According to a test that was made, we are fairly safe in assuming that over 50 per cent of these 50,000 admitted under the exceptions were illiterate; that is, 25,000 were admitted who could not read or write any language. A study of 5,000 men admitted at El Paso and at Eagle Pass under these exceptions was made by the Department. This test showed that 50.7 per cent were literate at the time of entry. The enforcement of the literacy test would thus have held back about 10,000 illiterates in 1920 estimated on the basis of the departmental test. The enforcement of the head tax feature probably would have kept out very few laborers. I learned while in Mexico that those desiring to migrate have little difficulty in borrowing the extra eight dollars in order to leave work which paid fifty to seventy-five cents a day to go to work paying sometimes five dollars a day.

The head tax neither keeps out many Mexicans who desire to cross into America, nor exerts any significant influence towards keeping out an undesirable class of immigrants. The literacy test, if this feature of the law is ever fully enforced, will limit immigration from Mexico considerably provided illiterate ones do not cross the border at unguarded points and enter illegally. Better living conditions and especially better wages (there is certain to be a material increase in wages in Mexico within the next two or three years) will some day make it so difficult to get laborers to come north, that the employers will not willingly consent to any restrictions being placed upon immigration of laborers from Mexico.

The passport regulations which require the American Consuls to visé all passports of those desiring to migrate from their district has helped somewhat to keep the undesirables from

reaching this country. These consuls are able to make a more discriminating investigation in the emigrant's home town than inspectors can make, often hundreds of miles away. There is an opportunity through our consular service for this country to exercise a more effective control over immigration from Mexico if the present passport regulations are continued. If the consuls are to assist in selecting only those for

entry to this country who are physically and mentally fit, who have no criminal record and are not likely to become public charges, every consular office in Mexico must have trained investigators on its staff. The very best system organized to keep out undesirables will, however, prove ineffective unless our government puts into effect some means for policing our long border line.

The Mexican in Los Angeles from the Standpoint of the Religious Forces of the City

By G. BROMLEY OXNAM, S. T. D.

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THERE are approximately 30,000 Mexicans in the city of Los Angeles, composed largely of three distinct groups: the descendants of the original settlers of California, known as "Californians" or "Spanish"; the refugee, representing the cultured classes of pre-Revolution days in Mexico; and the laborer, constituting the large majority of the Mexican population. The "Californians" have found their place in the social life and are loyal American citizens. The refugee has generally located in the better sections of the city and does not present a critical social problem, except for the occasional family which fled to America without funds. The laborer, however, presents a compelling social challenge constituting at once the most serious foreign problem in Los Angeles and the city's largest Americanization opportunity.

Large numbers of Mexicans are crossing the border at the present time, but as yet this influx has not materially affected the Los Angeles situation. The results, therefore, of the recent study conducted by the writer for the Interchurch World Movement will

show clearly the social conditions prevailing among the Mexicans, with which the religious forces of the city must deal in building a new program that seeks the complete transformation of the community life.

This study showed that while real improvement has been made in the reduction of the number of one and two-room dwellings during the last eight years, 28 per cent of the Mexican habitations have no sinks, 32 per cent have no lavatories, and 79 per cent have no bathtubs. The condition of these houses is classified as follows: Good, 5 per cent; fair, 40 per cent; poor, 45 per cent; very bad, 10 per cent. Of the houses, 60 per cent are of frame construction, while 5 per cent are of brick, and 35 per cent are shacks. The worst conditions obtain in the house courts. A house court generally consists of two rows of houses built on a small lot, often with a shorter row of houses between the two at the rear end of the lot. The houses are constructed of rough 1 x 12 ft. pine boards with battened cracks. Thin partitions of similar construction separate the habitations, which consist of two rooms—

one used for living and sleeping, the other for the kitchen. Lack of privacy, inadequate toilet facilities, and overcrowding characterize the courts throughout.

Another serious factor revealed is the high rate of adult illiteracy. Of this group, 55 per cent of the men and 74 per cent of the women can not speak English; 67 per cent of the men and 84 per cent of the women can not read English, and 75 per cent of the men and 85 per cent of the women can not write English. Since these conditions obtain in 1,081 families studied, in which there are 2,073 adults, it would appear that there are more than 10,000 adult Mexicans whose literacy in English would tally with the above figures. It must be stated, however, that the coming generation, owing to the splendid work of the Los Angeles city schools, will read, write and speak English. At present 89 per cent of the children speak, 80 per cent read and 76 per cent write English. However, only a small percentage of the children are in the high schools, probably not more than 5 per cent being in actual attendance.

Sickness and disease reap a frightful toll among the poorer classes of Mexicans. A study of the Ann Street District in the heart of the Mexican section showed that while tuberculosis caused 17.4 per cent of the total deaths of the entire city, it caused 39.2 per cent of the deaths in that district during the same period. Poor and insufficient food, overcrowding and lack of ventilation, lack of facilities for cleanliness, ignorance of personal hygiene coupled with low wages have contributed largely to the tuberculosis menace mentioned, and likewise have developed the high infant mortality rate prevailing among the Mexicans. The infant mortality rate is nearly three times as high among this people as in the city at large.

The result of bad housing, illiteracy, and disease is seen clearly in the records of the Los Angeles County Charities. The Mexican, representing but one-twentieth of the population, contributes nearly one-quarter of the poverty cases handled by the county. Sickness and disease were listed as the major causes in 67 per cent of the cases studied.

These conditions are again reflected in the juvenile delinquency records. Of the 1,379 juvenile delinquents reported by the County Probation Officer for the year 1919, 176 were Mexican. The Mexican children are contributing, therefore, 13 per cent of the juvenile delinquency of the city. In this connection, it is interesting to note that the percentage of crime among adult Mexicans, however, is but little higher than that of the city as a whole. Of the 50,025 arrests made in 1919, but 2,755 were Mexicans or 5.5 per cent of the total.

The wages received by the Mexicans have increased materially since the war, though there is real doubt as to whether the Mexican's condition has been greatly improved, since the increased earnings have been absorbed largely by the increased food costs and the exorbitant rents. Prior to the war, wages ran from \$1.60 to \$2.50 per day, the general average approximating \$2.00.

At present the wage averages \$3.45 per day. This wage is likely to maintain for some time, since there is a steady demand for Mexican labor. It is quite probable that the temporary rule rescinding the head tax and the literacy test of the Immigration Law will be revoked by the Secretary of Labor in the near future, thus automatically shutting out large bodies of Mexican workmen, and holding the demand for Mexican labor at its present level.

The foregoing conditions constitute the challenge flung at the organized religious forces of Los Angeles by the Mexican population. The churches are organizing to remove the intolerable housing conditions, the menace of adult illiteracy, the inroads of disease, and the abnormal poverty situation. Recognizing the close relation of wage scales to these conditions, the churches are likewise concerning themselves with this factor. They frankly face the fact that 80 per cent of the Mexicans have virtually refused to become American citizens, and have come to the conclusion that the anti-social conditions prevailing are a major cause of this refusal. The churches have accepted this challenge and at present are drafting a long time program, seeking the removal of all anti-social forces and the substitution therefor of forces making for more abundant living. The Protestant Churches have invested more than \$350,000 in property, buildings and equipment to carry on religious and social work among the Mexicans. In addition \$260,000 has been raised and will be spent on new buildings in the near future. While the Protestant membership is comparatively small, the institutions are actually serving a constituency of 3,000 families or a total population of between ten and fifteen thousand people. These churches are employing sixty-three social workers and direct the activities of several hundred volunteer workers. The Roman Catholic Church is likewise serving a large constituency through regular churches, and is rendering splendid service at Brownson House, a Catholic social settlement.

The Mexican territory has been allocated between the various Protestant denominations and duplication practically eliminated. The programs of these denominations are quite similar, calling for the erection of thoroughly

equipped community centers, in addition to houses of worship. The Methodist Episcopal Church will raise and spend in the neighborhood of \$500,000 in Mexican work in Los Angeles within the next five years. One branch of this denomination's work is unique. It is known as the Goodwill Industries. Bags are placed in the homes of Los Angeles and vicinity, and cast-off clothing and supplies are collected. This material is taken to the industrial headquarters where it is renovated. Destitute Mexicans are employed in this work and receive wages running from one to several dollars a day. The goods are then sold in the industry stores at low prices. The plan thus affords relief to the unemployed and inefficient, and likewise supplies clothing to the people at prices far below the market prices. The income derived practically supports the work, which in addition includes classes in English, homemaking, hygiene and religious education. Furthermore, men and women are trained in certain trades, such as tailoring, shoemaking and carpentry in the actual work of remaking the supplies received.

To meet the housing situation, official representatives of the various denominations have drafted a program calling for the purchase of tracts of land and the erection of model dwellings to be sold to Mexicans on easy terms which will properly finance the project. They further urge that steps be taken to secure the rigid enforcement of all housing laws, that the church support the request of the Los Angeles Housing Commission for additional inspectors, and that the churches develop an organization of volunteer housing inspectors to coöperate as deputies under the regular city inspectors.

It is further planned to support the home teacher movement in the public

schools, to continue all settlement classes in English and to develop a series of home charts to be used in teaching English and religious matters. It is felt this endeavor will contribute much toward the solution of the adult illiteracy problem. The churches also plan to support the request of the housing commission that it be given authority to inspect one-family dwellings. This is felt to be essential if the campaign against sickness and disease is to be successful. Several churches plan to employ district nurses, some are maintaining clinics and milk stations, and are generally agreed that a preventorium should be provided by the County to which children from tubercular homes may be sent when conditions make adequate prevention in the home impossible. In the matter of poor relief, the churches plan to coöperate fully with the County Charities to eliminate fraud and duplication, and in the direct attack upon poverty to inform the community through its pulpit and press that the largest contributing cause is sickness, the majority of which is preventable. Following

this, it is hoped a definite campaign to remove the causes of most of the sickness will be inaugurated. The churches are also considering definite recommendations in the matter of the support of families bereft of the bread winner. Of the applications for poor relief 29 per cent were traceable to this cause. It is believed that this ministry of constructive friendliness will break down the barrier between the American and the Mexican and that from this friendly relationship will develop a willingness on the part of the Mexican to become an American citizen.

With the constructive programs planned by the churches, the publicity such work will certainly give to the Mexican problems, the willingness on the part of the city through its schools, social agencies, public health and playground departments to serve the Mexican people, it is not too much to hope that the major menaces now surrounding the 30,000 Mexicans of Los Angeles may be largely removed and this group of residents from a neighboring republic be given the opportunity and the desire to attain more abundant living.

SOME FACTS AFFECTING THE ASSIMILATION OF THE IMMIGRANT Americanization

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WITH the first rumble of the German guns in Belgium came the consciousness that the United States might be involved in the European struggle and that a new and stronger national consciousness must be created. We were aware that this country was confronted by a vast unassimilated mass of alien population whose national affiliations were uncertain, whose political ideals were unformed, whose social and economic life was unrelated to American standards and American needs.

To what extent this unassimilated mass constituted a real menace to American institutions in peace and to American safety in war no one knew and few cared. Ignorant and blind patriotism must have its enemies real or imaginary in order to sustain life. The more ignorant we are of the strength and cunning of the enemy, the more we can emotionalize the danger, the more we can develop strength on the wing of imagination. The Americanization movement was therefore born in fear. Now that the war is over it is dying of convulsions.

But while the hosts of Americanizers were demanding human sacrifice and were feeding upon the freedom and innocence of millions of foreign human beings, thousands of intelligent Americans were working with the foreign groups giving them of the

treasures of the traditions of this country and securing from them loyalty and self-sacrifice, as was evidenced by the hundreds of thousands of men who willingly went into the war, and the millions upon millions of dollars that these very elements contributed towards the financing of the war.

To one who knows the soul and spirit of the immigrant, who has passed through the painful experience of analyzing, sorting and accepting American life, the spectacle of the rabid and ignorant Americanizing efforts was disheartening. It did not represent America as the foreigner has pictured it in his dreams before landing upon these shores. It flavored more of Hungary where the magyarization of several millions of people was attempted by means not consistent with American tradition, or of Russia of the Tzarist days with the persecution of the Jew and the denationalization of the Poles. For these reasons the Americanization movement could not survive during normal times. It was a negative movement; one that demanded human sacrifice and which did not stop with the expressions of the mob, but dragged into the struggle some of the high officials of the United States Government. Should we be surprised or sorry that it is now denied by many of the spontaneous organizations of the war period and that it is allowed to pass away of auto-intoxication and will remain unmourned by its once staunch friends?

¹ Author of: *The Social Survey* (1916), *Americanization* (1920), etc.—The Editor.

I am aware that some honest workers still maintain that there is room and need for some kind of a movement which, for want of a better name, might be called Americanization. I am even willing to admit that much can be done to create and maintain a strong national consciousness which was not extant during the war; but that the word Americanization has fallen into disrepute is generally admitted, and a new name is being sought to take the place of the discredited term of the war period.

Many social and political movements fail not because of their aims but because of their methods. The best intentioned efforts have often failed because they were conceived for selfish reasons and were pursued without regard to the human elements involved. A movement that is born in sympathy and not hate, understanding and not suspicion, patience and not haste, appreciation and not contempt will succeed and the future efforts towards the assimilation of the foreign elements in this country should recognize these facts.

Before developing any kind of program of Americanization, if the term is to be retained, it is well to determine what could be rightly included under this term and what the elements to be contended with are.

A foreigner is an individual who has been removed from his normal native environment with its customs, language, aspirations, folk ideals, racial and national loyalties, economic adjustment and legal control and placed in a new environment which he has neither the means nor the power to understand. It would be a remarkable mentality that would honestly accept American life unchallenged and it would be a dangerous and dishonest alien who would pretend to know and love this country without going through

a long and painful process of assimilation. During the war we were more willing to accept the pretense of Americanism than to accept the honest challenge of the unassimilated to prove the high qualities of American life as superior to the life of the home country. We accepted simulation as assimilation and forgot that the dictum in Rome to do as the Romans do is merely etiquette that belongs to the group of conventional lies that have no room in true assimilative effort.

Let us see what the foreigner had to give up in the process of assimilation:

Language. No one should sympathize more with the effort to accept a new language in place of the old than the American who has from time to time made an effort to learn a new language. Yet, during the war, laws were passed prohibiting the use of foreign languages in assemblies of foreign-born persons; foreign language papers were suppressed or watched as we would watch dangerous criminals; persons who spoke a foreign tongue were constantly suspected of disloyalty or un-Americanism. All this was done in the face of the obvious fact that the laws and customs of this country can just as well be explained in French, Polish or Russian, and that in the case of the foreign groups their own language was the only medium through which we could have reached them and through which education in American ways could be achieved.

I have often said that I would rather the immigrant would love America in German than hate America in English. To fear that the speaking of a foreign language is detrimental to loyalty is as absurd as to think the Swiss are not a united nation because French, German and Italian are spoken in Switzerland.

As I look back upon the environment in which I first saw the light of

day and in which I spent my childhood and compare it with the radical changes that have taken place in my mode of living, point of view and sympathies, I am startled to think that such a radical change in one's life and aspirations and ideals could take place within comparatively few years. Some of these changes have been gradual and unconscious, while others have been more violent and not without a certain intellectual and spiritual resistance and resentment. None of them have been the result of conscious, organized Americanization from without, but they have achieved, nevertheless, what I am bold enough to consider a rather thorough Americanization. Throughout this transformation I have endeavored to retain whatever of the old ideals and aspirations I felt were helpful. They have kept me nearer to the people and achievement of Europe without in any way interfering with my new adjustments and new mode of life. One can more easily accept the tradition of New England if his own tradition is not subject to violence; one can more readily understand the genius of American institutions in home, in church, in politics, in art and in literature if some respect is shown to their own genius in these fields of human endeavor. Methods that tend to create resistances are not only un-American but are inexpedient in achieving the results desired.

No one is responsible for his race or his nationality, but each person must assume responsibilities for the standing of his race or nation in the world and its perpetuation. America tends to denationalize its immigrants and destroy or absorb their racial characteristics. During the war Anglo-Saxon civilization was held before the immigrant as the highest achievement of the most highly developed race.

Anglo-Saxon and American civilization were confused. The result of this confusion was that all the scores of nationalities and races of this country were expected to accept ways of living and thinking, not of a new nation, but of an alien nation with which America has only remote relations and affiliations. The immigrant who had come to this country to find a great heterogeneous mass of people sharing a new political and social ideal found himself confronted with the problem of accepting as fact the presumptions that what is not Anglo-Saxon is not American, and that his race and national characters must conform to a strict code which is not the creation of a great synthetic mass of peoples from the four corners of the earth but the strict code of a civilization which controlled the destinies of this country a century and a half ago.

To this was added the artificial and unfortunate classification of people into native, alien and enemy alien. Where there was unity the war created antagonisms and where there was loyalty we made every effort to instill fear. We came out of the war less Americanized than we went into the war, and it was all due to Americanizers and their lack of understanding of their task and their subjects.

Had we recognized that only between equals or potential equals can peace and civilization develop and be of common benefit, the new national consciousness created by the war would have been justified and would have been creative of a new national life.

There was a certain respect for the immigrant who had become an American citizen during the war. With many it was merely a protective coloration so useful in concealing old aspirations, ideals and suspicions. Unassimilated citizenship is more dangerous

to American institutions than the mass of aliens which remains unassimilated and does not endeavor to participate in the affairs of government. Yet the Americanization movement centered its attention upon the making of legal citizens without regard to the essential requirements of intelligent citizenship. I have always had more respect for the alien who refuses to accept American citizenship before he is ready for it than for the man or woman who seeks such citizenship not as a prize for service but as a protection against suspicion. A foreign government that would compel any American to deny his allegiance to this country as the price of enjoying the privilege of residence would be looked upon with scorn by America. Do we owe less to other governments in our relation to their citizens?

From what I have said within the limited scope of this brief article it may be gleaned that I am opposed to the Americanization movement as conceived and carried on during the war by many classes of workers. I am opposed to this movement because I believe in Americanization, because I feel that to Americanize the immigrant is a solemn duty of America and because I know that we can not take away one's nationality without first accepting that nationality as an asset to be respected, and as a gift that must in part be incorporated in the sum total of American civilization. The weaving of national and racial characters of the alien into the fabric of American civilization is the real task of Americanization. If we refuse to accept this doctrine we should close our doors to the immigrant or exclude him from ever becoming a part of this country's national life.

I have dealt rather scathingly with a movement that has attained much power and some prestige in this coun-

try. The sooner the movement is forgotten the better for the immigrants and for America. The question may justly be asked, however, as to what should be done? In answer to this may I state that long before the war much good work was done by the social settlements and the churches, the charitable organizations and the protective agencies, the schools, the industries and the labor unions.

There are, however, a few aspects of the problem of Americanization that would lend themselves to a constructive program that would contain none of the elements of fear and suspicion characteristic of the movement during the war. These are:

Fair treatment in relation to American institutions. This would mean ample protection of the immigrant from the moment he lands in the immigration station to the time when he becomes self-reliant and independent in dealing with his own personal problems. One injustice in industry or the courts will do more to delay or destroy confidence in the good will of this country than can be established by all efforts to teach the immigrant the intricacies of American government and American life. The force of experience is vastly more potent than book education.

I wish I might recite some of the difficulties and problems that I encountered during the first two years of my stay in this country as an immigrant. My own experiences point to the need of immigrant protection as the most important means of creating a type of mental receptivity which is the first essential in all effort towards assimilation.

Recognition of racial and national values is another element that can not be disregarded in assimilative effort. These foreign groups bring with their new hopes and ambitions

certain cultural backgrounds and characters that we might do well to study and as far as possible leave unchanged in their process of assimilation.

The monumental work on *The Polish Peasant in Europe and America* by William I. Thomas and Florian Znaniecki indicates the need and the extent of such studies. If we are to deal fairly with a problem of denationalization we must deal scientifically with the material to be handled and evaluate it in terms of the new nationalism which we are endeavoring to create in this country.

Immigrant education as represented by the schools and the social agencies has the one serious defect of being devoid of spontaneity. Little or nothing is left to the initiative of the immigrant and not infrequently the teaching staff is unable to understand the fundamental and elementary principles of race and national psychology. We must train the teachers to meet this important need in the teaching profession, but above all we must leave to the immigrant some choice as to the studies he is to undertake.

In the teaching of citizenship we frequently find that there is no opportunity for practical experience or self-expression. The fact that there are so many radical movements among the foreigners is an indication of their political-mindedness, but we seldom take advantage of it by organizing community councils, community centers and other organizations in which the immigrant may participate, instead of merely receiving education.

Recognition of national rights of the home country must be made a part of the Americanization movement. The attitude that America

has taken towards European nations has had its effects upon the rate of Americanization in this country. Whatever we may think about the feasibility of one's Americanism when he still holds affections for the home country we must recognize the fact that we can not break all ties or destroy all affection for one's country of birth. The justice dealt out to the home countries through the influence of American international relations is bound to have its effect upon the immigrant groups in America coming from these countries.

This country is a miniature Europe and it is not enough to give the immigrant a square deal here; we must apply the same principles to our relations abroad. The Irish question has baffled political parties in this country, but not so the Polish or the Macedonian questions. They have, nevertheless, been real factors in our political life and will be increasingly important questions as the reconstruction or confusion in European international affairs are participated in by this country. The loyalty of the Poles, the Russians, the Greeks, etc., in some measure will be determined by the international politics of the United States.

I have pointed out briefly what should be taken into account in the development of a constructive program of national integration in the United States. Protection, understanding, participation, acceptance of racial and national values and fair international relations are the sum total of what we need to recognize as fundamental to Americanization. All other factors will be dependent upon the loyalty that the movement shows towards these fundamentals.

The Oppression Psychosis and the Immigrant

By HERBERT ADOLPHUS MILLER, PH.D¹

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THE problem of the immigrant has its roots deep in the laws of psychology and can never be solved except through an adaptation of practical treatment to inner impulses which have been nurtured through a long experience with abnormal conditions. The basis of these impulses has been the desire for freedom. I mean by desire for freedom the instinctive impulse for unfettered and therefore normal self-expression.

When the game is open and fair and thereby free, one may be beaten, disappointed, and yet happy from the surplus of joy arising out of the game itself, whether it be business, golf or war. But if the freedom of the conflict is limited in any way as by an unfair referee, a secret alliance or any other form of loaded dice, even though one may win, the thrill of it is mitigated; whereas if one loses, over and above the loss, there is a resentment deep and pervasive. Such a conflict is abnormal as contrasted with the free and normal struggle in which men will always find a fulness of life.

The abnormality, however, does not inhere in a relationship viewed merely externally, but must be estimated or measured entirely by the pathology of its psychological results. When certain kinds of psychopathological conditions are found, we may postulate an abnormal relationship as a cause. We need not appeal to abstract principles of justice to determine what shall be the relations of races, nations and classes, but we need to observe what

are the resultant attitudes and then we may adjust the method of statescraft and international relations so as to make inoperative the causes which produce the pathological conditions.

The particular form of pathology which is involved in our problem may be called the oppression psychosis. Oppression is the domination of one group by another, politically, economically or culturally, singly or in combination. Psychosis is a state of consciousness. The word originally applied to any state of consciousness, but it has been used so much in connection with psychopathology that now it may mean anything from insanity to an exaggerated attitude. In my use of the term I mean those persistent and exaggerated mental conditions which are characteristically produced under conditions where one group dominates another.

I do not wish to overemphasize the Freudian basis of my theory, because there is much in the Freudian system which is not essential to my treatment of the problem, but at the same time there is no question but that the Freudian approach throws much light on what has hitherto not been adequately analyzed.

The division of consciousness into the emotional, volitional and cognitive we know is merely artificial and convenient for clearer understanding, and is in part a hold-over from the theological and metaphysical methods of thought. We now think of these three as merely different aspects of the same unity and recognize that they have their roots below consciousness; and, so far as they spring from instincts, go back to evolutionary origins.

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A volitional impulse, then, may find its origin in some instinctive value which was once essential to survival, and there will be an appropriate emotion and idea to go with it. Thus the hunting instinct sends men fishing, and they feel joy in it, and at the same time formulate ideas which make it rational to fish. The will is the doing, and appears only in the process.

At the bottom of all consciousness is a "wish," "urge" or "disposition" which has its origin in an evolution in which it was preserved because it had a survival value. When the wish, urge, or will, as we shall call it, is frustrated or inhibited it does not yield passively. It was created to struggle, and opposition stimulates it to struggle harder.

Many diseases of the individual come from inhibitions of this sort which are imposed by all sorts of conditions of life. Many are products of convention. The psycho-analysts resolve many abnormal states of mind simply by making the patient understand the cause, and then when possible remove the cause.

Although part of what I am maintaining is analogy and not identical, I think there is no hope for a world of peace and coöperation until some similar method is applied to the problems arising out of the abnormal conflict of groups, whether nations or classes. The group is an object for which it is instinctive to strive, and in connection with which we have our strongest emotions.

A political, economic or cultural domination simply means the frustrated will of a group. They may be defined as autocratic, plutocratic or cultocratic control. The struggle for freedom which has been so much a part of the world's history and much to the fore recently has not been a struggle for individual freedom so much as for freedom of groups. The

whole world responded immediately to the idea of "self-determination" because it is an instinctive "wish" for which people have always felt and strived, though it has only recently been defined.

Freedom is not what we have so often tried to make it mean, an absence of determinism, but merely an instinctive demand for the privilege of self-determination. When freedom is denied, frustration and disease result, not only for the individuals but in the relationship of societies. I mean by an oppression psychosis, then, the "balked disposition" of a group, which is reflected by all of the members characteristically.

In the struggle which always follows on the trail of frustration some substitute is found whose excesses measure the pathology. A nation, for example, in striving to be free, say the Irish; under the present economic and political conditions their struggle does not succeed. It has been the error of states to think that if the national aspiration was prevented from accomplishment their end was achieved. The Irish, however, have succeeded so well in demonstrating to the world that this is not true, that their case may be taken as a generic illustration for the oppression psychosis. In spite of this we still find the tendency to talk about the Irish as though they were normal; just as, before Carleton Parker, the I. W. W. were considered perverse instead of psychopathic. The reason for this is that their abnormality has not yet been objectively analyzed. On all such problems we get confused by talking about justice and rights as abstract principles when the evidence of them is found in the attitudes of people themselves. We have even come to attribute certain biological and racial characteristics to the Irish and to the Jews when their peculiari-

ties are nothing but injustice frozen into psychology.

In the diagnosis of national traits, of all people who have not been sovereign, we must always look for some oppression resultant of which there are certain outstanding symptoms that are amazingly uniform. "Americanization" must be largely psychiatry directed towards the outstanding facts or psychoses. An oppressed group is abnormally subjective. Its inability to realize itself freely has turned back attention to itself until its self-consciousness becomes entirely out of focus. ✓ In other words, an oppressed group is hyperæsthetic to itself. There is a complete incapacity to view its own problems objectively. Women have through long history belonged to an oppressed group and a prevailing psychosis is illustrated by the reply of the woman whose husband said to her, "The trouble with women is that they take everything personally." "That isn't so," she said, "I don't." Any one who has known Irish, Jews, Poles or any other people who have long been dominated is familiar with this tendency to personal interpretation. There is always a chip on the shoulder to which the slightest jar calls attention.

✓ Closely related to this subjectivity is the tendency to be suspicious, which is nothing but a method of being on guard. Social workers have often remarked that certain immigrant nationalities are suspicious. In the group experience a suspicious attitude has been necessary as a protective device. In the effort to resist absorption which used all sorts of subterfuges, the dominated group learned to meet any overture with suspicion.

The effect on the nervous system may take various forms. Clearly the inhibition of an instinct must have a neutral sequence. In fact what we

have designated as Jewish characteristics are largely based on the nervous reactions which have resulted from more varieties and longer oppression than those of any other group. The Jew is introspective, analytical, aggressive and conspicuous. The Negro also has many of the same characteristics, although he has not yet developed so many compensatory values, such as religious solidarity and business technique.

A technique is developed by the group and the individuals in it to meet the situation and retain the self-esteem necessary to life. The oppressed peasant has a shrewdness and cunning which he would not have had if he could have had freer relations with his masters, and the Jewish capacity to trade was developed under a necessity for survival in which trade offered the only possibility. The technique is no more racial than is that of the college boy who learns the method of selling books, and succeeds in making it work.

Aggressiveness also is the product of the instinct for the suppressed individual to make up for his inferiority. A small man is more often than not self-assertive, and for the same reason that the Negro makes himself conspicuous; the inferiority complex is as applicable to groups as to individuals.

The most outstanding result of the oppression psychosis is to create a group solidarity which is far stronger than could have been created by any other means. Whenever there is a conflict both sides increase their solidarity, but the one which loses and is dominated has the supplementary instinct of hate to stimulate its unity. In most cases hate is developed by actual or feared domination. A genuine American opposition to Germany was not secured until it was possible to appeal to the fear of the imposition of German authority on America, and

then the hate instinct expanded without limit.

When the nation in its own right is prevented from self-expression there are always adopted certain compensatory objects of the will, or certain symbols on which the energy of the group is expended. Both the objects and the symbols come to have a reality and meaning which are not at all justifiable in themselves, but which, as defensive institutions, serve to preserve the group. Just as in the individual psychopathic case where the patient has transferred the focus of his attention to something abnormal, without any knowledge of the fact, so in this case a whole nation may embrace an idea or line of conduct, thinking it is acting rationally while it really is only instinctive.

Language and religion are the most notable compensatory forms of defense and aggression, and the energy which would be absorbed normally and unnoticed in the self-expression of the group becomes exaggerated and militant in appropriating these symbols of unity. Every immigrant group in America and all the new nations of Europe, and the whole proletarian movement of the world have psychoses in these matters, and we shall make no real progress in dealing with them unless we can see under fanatical zeal the deep current of a human instinct struggling for freedom.

In America we have inherited all the oppression problems of Europe and out of them we are trying to build up a coöperating democracy in which men may rise to their full human dignity.

One-tenth of our population is Negro with its actual or potential psychoses, and approximately one-third of the remainder is either foreign born or of foreign-born stock. Counting the Irish, it is no exaggeration to say that there are in the United States more than

twenty million people who are more or less psychopathic on account of one or all forms of oppression previously or at present experienced in Europe.

The problem of merging these peoples of varying backgrounds and intense attitudes ought not to be, and can not be, the method of the melting-pot which aims to make a uniform society. It can be solved only by the paradoxical method of indirection. Central Europe has proved conclusively that language can not be assimilated by attacking it directly. In my opinion more progress would have been made in "Americanization" if no one had ever thought of it, although that does not mean that it is not an advantage to promote humane relationships. What should be meant by Americanization is the bringing of all the people of America into participation in a progressive democracy, with tolerance toward the varying customs and beliefs, so as to articulate a society rich in content and orderly in process.

America to the immigrant is an opportunity in those directions in which he has previously been oppressed. The great danger is that similar forms of oppression may be found here. He brings a complex of attitudes and he needs a proper meeting of those attitudes. What he can give us most definitely is an object lesson in political science. If we heed it we may almost reform the world; if we ignore it we shall help to perpetuate what the war sought to banish from the earth.

But the teaching of English should be called education, not Americanization, which is likely to offend because it implies the same old culture domination which is more hateful than political domination. We should foster the self-respect of the immigrant by respecting the language for whose very existence his people have struggled for centuries. As Chicago and Milwaukee

have already done, we should offer in the high schools courses in any foreign language for which there are children demanding it in numbers sufficient to form a class. We could thus preserve the language possession already attained by the children, and also promote respect in the children for their parents; and in the parents we should be dislodging the suspicion that America practices the hated policy of Europe. There is no other way comparable with this for making English respected and loved, for it will thus stand out as a medium of opportunity and not as an instrument of annihilation.

In the same way the foreign born need their press. They need it because there is no other way in which they can learn the news of the world and the facts and purposes of American life. Even if they learn English they will not be able to get its spirit as they still live in that of their native tongue. How many of us who have studied French and German much more than the average immigrant will ever be able to study English would choose a French or German newspaper in preference to an English one?

We must accept at their face value, and with infinite patience, both the normal and the pathological attitudes. The foreign born will never forget the land of their origin and their responsibility for it so long as injustice prevails there; the identification of America with the problems of Europe, therefore, is so close that we can not escape our share in the responsibility however much we may wish. There can be no real Americanization of the immigrant unless there is a real league of nations, as the symbol of a real organization which will substitute in Europe a reign of justice for the reign of immorality. The isolation of America is pure illusion. The only way it can be re-

gained is by identifying ourselves with a democratic reorganization of Europe. If an unjust domination is imposed on Germany, the many millions of German stock in America will gradually and inevitably develop a political solidarity such as they never knew before.

Most of the nations of Europe have only one or two international problems, but we have every one of the problems of all the nations within our borders. To deny or overlook this is to pull down over our own heads the pillars upon which rest our political and social structures. No country in Europe is so dependent on just relationships as is the United States. Fifty per cent of the Irish, twenty per cent of the Poles, and a large percentage of all of the other long-oppressed peoples are in America and constitute from one-third to two-thirds of the population of many of our leading centers.

The foreign born need a renewal of the faith that has been waning faith in the freedom and democracy of America—to obtain which they came to these shores. Through what those who came here told their oppressed kinsmen in Europe, the latter came to look to America for salvation, and through them the real purpose of America may still be the salvation of Europe. To discriminate against those who are living among us means a perpetuation in America of the hatreds of the past in Europe. We must devise a political science and social practice which will give them the self-expression here that self-determination aims to give in Europe.

Just as finally the American authorities tried to mobilize the attitudes of the immigrants for purposes of war, so they must mobilize them for peace. Foolish and frantic methods of Americanization should yield to the realization that we are dealing with a psychological and moral problem, and that a

league of nations is potential in the United States. If we could organize the representatives of the countries of Europe who are in America behind a program for a reconstructed world, we should have an instrument for world-order whose potentiality can not be measured. Instead, we hide our heads in the sand and think to make them forget by teaching them English!

There is no panacea for dealing with the immigrant simpler than that required for the whole world. And the existing deep-seated psychoses can only be cured through a long process of time. We must deal as wise physicians with a soul-sick people for whose trouble we have no responsibility but who have become an integral part of our lives:

The spirit and method of American-

ization must be part and parcel of the solution of the problems of Europe. The relations of groups, both in conflict and in coöperation, is the paramount issue of human society. If we can learn even a few of the laws underlying the conflict of groups we shall make rapid progress where we have been blindly groping. In the meantime, however, all these problems will resist solution until there is a just reorganization of Europe. Only when the ideals of democracy have removed the possibility of imperialistic exploitation will there be no longer a need for chauvinism to combat it. America can not save herself unless Europe is saved. Whether we will or not, our immigrants make the world-problem our problem, and the problem primarily one of psychology.

Immigration, the Matrix of American Democracy

By ALLEN T. BURNS

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IMMIGRANTS to America for three hundred years have been inherently the more individualistic of their native fellow countrymen. Immigration with its inherent difficulties and new experiences has been a process of natural selection sorting out and appealing to the more daring, enterprising, self-reliant, self-assertive members of any group. Immigrants are all alike in possessing the spirit of the pioneer, the innovator, the explorer, the adventurer. America, the product of immigration, has come naturally and inevitably by her most distinguishing characteristics: freedom, liberty, independence.

Paul Bourget in *Outre Mere* says: "Everything in the United States grows clear when understood as an immense act of faith in the social beneficence of

individual energy left to itself." A friend recently remarked facetiously in connection with the deportation of Emma Goldman and her reported pleasure at being sent to Russia: "I don't see how, being an anarchist, she can like any country better than the United States." These remarks recall the original constitutional convention with its advocates of "as little government as possible."

Certain exigencies of immigration have always tended to modify this aggressive enterprising individualism. The journey was to a strange land, unknown difficulties were to be met, hostile forces were to be withstood, and tremendous obstacles to security and success had to be overcome. Rocky and wooded land or an industrial system of steel and strain had to be made

to yield a living; treaties and a *modus vivendi* with Indian or Tammany braves had to be negotiated; education in the religion, learning and arts of the elders seemed necessary; and protection against disease, destitution and violators of morals had to be established.

Individual resources and self-reliance have never been entirely adequate for these vital necessities of strange people in a strange land. There has had to be a pooling of interests and issues, a surrender of some personal preferences and peculiar practices. This merging of personal opinions and the fusion of individual resources have been the beginnings of collective decision and action, the origin of American Democracy.

But this making of common cause has taken place only with one instinctive purpose and under one imperative necessity. This is when individual development and welfare could be better promoted by joint rather than personal action and enterprise. Government has not come into being in its own interest but in the interest of the governed. The distinction between European and American Democracy is that the former is slowly centripetal, the latter still more slowly centripetal. Democracy in Europe has developed by gradually taking from the central authority rights and privileges demanded by the people for themselves. In America the people have grudgingly and little by little surrendered some of their individual prerogatives and power to a central authority. But this surrender has been after "individual energy left to itself" had proved insufficient, and common decision and action were required for the greater satisfaction of the many whose personal welfare was the unique purpose of the establishment of the government as well as of their own or their

ancestors' immigration and adventure in independence.

Experience and practice in common decision and action found necessary by self-reliant immigrants have formed the cradle and school of American self-government. De Tocqueville, the first European student of America's unique experiment, said:

Local assemblies of citizens constitute the strength of free nations. Town meetings are to liberty what primary schools are to science, they bring it within the people's reach, they teach men how to use and how to enjoy it.

In the United States the inhabitants were thrown but as yesterday upon the soil they now occupy . . . the instinctive love of their country can scarcely exist in their minds; but everyone takes as zealous an interest in the affairs of his township, his county, and of the whole state as though they were his own, because everyone, in his sphere, takes an active part in the government of society.

Would De Tocqueville visiting America today observe, "everyone takes an active part in the government of society"? To judge by the universal newspaper and personal comment after the last national nominating conventions he would find himself a very small minority if he made such a statement. Otherwise, why the backbreaking attempts to revive the local assemblies of citizens, to resuscitate "community councils," to restore the "neighborhood association" or "social unit"? But what these champions of the "primordial cell of our body politic" have failed to see is that the march of civilization has rendered impossible this return to the practices of the fathers.

Town meetings functioned in the beginning because vital, everyday interests coincided with the restricted and relatively isolated area occupied by these fellow townsmen. Fellowship, sustenance, security, novelty, adventure all had to come within the round

of town life. Political institutions were naturally founded on geographical divisions because these divisions were foci of the vital interests of citizens. Maintaining the political organization was synonymous with maintaining the collective activities necessary for life itself.

Universal transportation and communication have broken up the original structure of American political life. Interests do not run primarily by locality, but by occupation, tastes, experience, education. Only such as can make a living by it are sufficiently interested to maintain the old political devices so as to make them have the semblance of working. So arises the political machine. The lines of political action are so diverse from lines of everyday interests and groupings that the average citizen is inevitably thwarted and baffled in trying to take an effective part in government.

But new organic groupings are in process: investor, employer, laborer, farmer, lawyer, teacher, banker, social worker. All are trying to influence government through the old machinery. Some day the political structure will be changed to correspond with these new vital and active groupings as closely as the original framework based on territorial divisions coincided with the natural groupings of citizens of those days. The voluntary, spontaneous, self-governing associations of those of kindred interests are the preparatory schools of the coming political life of America.

In these days of transition and apparent political paralysis every democratic, vital organization is as important as the local assembly proved to be for the beginnings of our national life. Among these new cradles and schools of the self-government that is to be are those organizations of new immigrants which are as natural and

inevitable as those of the earliest settlers. As already suggested the forces producing these collective activities are similar to those that produced the original germ plasm of our democracy.

The new immigrant feels as isolated as his early prototype. Added to the strangeness of the land is the mutual strangeness of himself and the native born. On both sides this has made for shrinking from and avoidance of each other. Self-assertive as the newcomers must be to achieve immigration, the new immigration has come from peoples with a greater solidarity and cohesiveness than the old. Oppression, discrimination, remoteness from the more individualizing currents of civilization have produced a solidarity and unity which the wilderness gave our forefathers and for which we are again seeking and groping in order to have the "makings" of a newly effective democracy.

This isolation and solidarity is coincident with many emergencies and problems too great for individual solution. The situation has compelled a new pooling of interests and resources. Benefit associations, educational clubs, synagogues, churches, nationalistic societies and labor organizations are samples of what the problems of new immigrants have generated under as pressing necessity as forced the first colonists to surrender sufficient individualism for constituting a successful town meeting. No understanding of either the immigrant or the forces working for a reconstruction of politics can be adequate without inquiring whether the self-governing activities of the new immigrants will make a contribution to the new order.

Many recent experiences with immigrants indicate that in their spontaneous, indigenous organizations these new Americans are acquiring the experience and self-reliance that made the

American Revolutionaries insist that "all government derives its just powers from the consent of the governed"; and made De Tocqueville say of the participant in such humble intimate group action: "He practices the art of government in the small sphere within his reach; he accustoms himself to those forms which can alone insure the steady progress of liberty; he imbibes their spirit, he acquires a taste for order."

Two years ago a Ukrainian leader came into the writer's office and said he was head of a Ukrainian social settlement, with a plant valued at \$75,000. He and his associates wanted advice as to their future policy and activities. He was advised to go for help to the federation of settlements in his city. His reply was that his institution had been named "social settlement" so that it would be understood by native Americans and because that was the name of the American institution most like the one in question. These American institutions had been visited and carefully studied for effective methods. But the settlement federation had never asked the Ukrainian settlement to affiliate. So the Ukrainians would never seek advice from those who would not accept the Ukrainians as fellow workers and partners in a common field.

On July 4, 1919, one hundred and thirty Italian sick and death benefit societies of Chicago held a picnic together to form a federation. They had found the problems of their individual societies so perplexing as to require the pooling of their interests and resources. But another reason for the federation was given by the leader of the movement:

We have noticed that it is very popular among native Americans to conduct health campaigns directed largely at the foreign born. The intended beneficiaries are never

consulted in the planning or execution of these undertakings. Then their originators wonder why their efforts fall so far short of their hopes. They never realize that the immigrant is so American that he resents and rejects being made a mere recipient and beneficiary of others' good works. We are hoping that if our societies federate we shall look imposing and important enough to be taken in and made partners in all that is intended to promote our welfare.

In Fitchburg, Massachusetts, is a group of about six thousand Finns. They have faced the common problems of thickly settled industrial workers, *i.e.*, wholesome recreation, physical exercise, education, labor organization, housing and the high cost of living. But by collective effort they have built a social hall where they conduct programs under the direction of full-time, paid musical and dramatic leaders. They have erected another large building which has become the labor temple of the whole city. Here were held the first classes in English and civics for immigrants at the expense of the Finns themselves. In the same building is a gymnasium available for community use, and a coöperative savings bank with deposits in the hundreds of thousands.

Outside the city a recreation farm has been purchased for week-end outings and longer vacations. In the city an apartment, boarding house and store building has been put up. A milk delivery, bakery, furnishing store, and five meat and grocery shops are all operated on a coöperative basis. A fixed interest is paid on capital and all profits are distributed in proportion to purchases.

A leader in these enterprises explained how the economic activities came about. Most of the men belonged to an agitating revolutionary organization. A handful of members proposed starting a coöperative store

as yielding more immediate benefits than a propaganda for the overturn of society. These insurgents were ridiculed and voted down because their proposals if successful would lessen workingmen's interest in revolution. But like the original weavers of Rochdale, the few had the courage of their convictions. As they demonstrated their ability to improve their lot by collective, concerted action in distributing the necessities of life, their ridiculers began to take notice and one by one to secure membership in the democratic undertakings. With this practical experience in the profitableness of seeking progress by self-governing group decision and action has come a marvelous change. These erstwhile revolutionists have become ardent champions of the ballot as the only effective method of governmental progress. In the place of the mere handful of advocates of democratic action there remains a mere handful of Reds.

In the little mining town of Avilla in southwestern Pennsylvania, made up of Slovaks, Poles, Lithuanians and Negroes, a veritable town meeting was held by the members of an incipient coöperative store. A party of malcontents wanted to throw over the attempt to progress by slow orderly efforts of a united group, and to resort to discontent and agitation. This party seemed to be having the better of the argument until the cause of gradual, persistent but sure democracy was successfully championed by a West Indian Negro. Urging that effective collective action was the only sure though slow road to greater welfare and so the only sure cure for discontent, he said: "This coöperative business is like a great ship bound for America from an infected port. Of course before you are allowed to land in the wonderful country you must expect to be detained in quarantine a little while until you

are thoroughly disinfected." And democracy won the day. Though the immigrants of today are learning lessons of self-government in much the same way as the earliest immigrants, and though America is searching for capacity in self-government, the incidents related suggest that the friction or annihilation of immigrant organizations might be cutting off one's nose to spite one's face. Still the situations described leave something to be desired. Our problems of democracy are too big and inclusive to be solved by separate groups working out solutions by themselves. Isolated self-governing activities of immigrants may be as far from producing national effectiveness as would have been the separate though self-governing activities of the thirteen original colonies.

How can these democratic propensities of the immigrant be fused and transmuted into the life of our communities and nation as a whole? Can these beginnings of self-government be merged and blended with the natural counterparts among the native born?

The town of Hatfield, Massachusetts, has become the home of large numbers of Poles like other Connecticut valley villages. At first the older residents scorned and resented them; then feared the town's utter demoralization. Its traditional unity, virtue and civic responsibility were threatened. As in many New England towns, the private citizens took part and had influence in their community's affairs through their church organizations. These were the organic units of town life. There was a Congregational Church and a Catholic Church, but each appealed equally little to the Pole. He consequently was *declassé* and becoming irresponsible and undependable. Some Poles also were concerned and proposed to mobilize Polish interest and responsibility in the way

that Yankees had done the same for the town, *i.e.*, through a church that would appeal to Poles. This was undertaken and the native residents joined in and contributed to the project. When the Poles had an equally representative and suitable organization for participating in the town's affairs, and were made welcome to do so, the Poles accepted their part in the community's business, civic, social and patriotic activities. By discovery of an organization that could be an equal and natural partner with others that functioned for common welfare this town has been saved from the paralysis and deterioration of similar villages where no common unit of solidarity and coöperation has been operating.

On a larger scale the United States Government found a way of utilizing and so merging the democratic capacities of these immigrant associations. After the first liberty loan campaign the son of an immigrant went to the Treasury Department and said that

the hand-plucking, buttonholing, personally embarrassing methods were not yielding anything like the possible results among the immigrants. He proposed that the thousands of immigrant societies be made agencies of the Liberty Loan Bureau. The suggestion was adopted. While the population related to these organizations is at the most 33 per cent of the people of the United States, the subsequent Liberty Loan Campaign secured between 40 and 50 per cent of their total subscribers through the foreign-language division.

Capacity for responsible collective decision and action is the direst need of the United States. Can immigrants again contribute to the generation of this capacity? Then in the interest of national unity and welfare this capacity must be appropriated, adopted and cherished as the earliest immigrant explorers would have seized the long sought fountain of the renewal of youth.

Bohemians and Slovaks—Now Czechoslovaks

By JAROSLAV F. SMETANKA

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WAR made many changes in the life of Bohemian and Slovak immigrants in America. To start with, one hardly knows by what name to call them. The race from which they sprang is known as the Czechoslovak race and the land of their fathers is no longer a mere province of the Austro-Hungarian monarchy, but the Czechoslovak Republic. This odd-looking name has by now become somewhat familiar to readers of American newspapers, but it has not supplanted in this country the names by which immigrants of that race have always been known,—they are still Bohemians or Slovaks.

The events in Europe have left a deep impression on the state of mind of the foreign-speaking groups here. Bohemians, and Slovaks even more, have acquired a feeling of dignity, self-confidence and assurance, now that they are members of a race which ranks with the independent races of the world. Men of Bohemian descent who formerly were almost unconscious of the fact that their roots were in Central Europe came forward in great numbers, manifesting an interest in the country from which their parents came, and those who were actually raised in what is now the Czechoslovak Republic follow eagerly the course of

developments there. Bohemian and Slovak papers in America give much more space nowadays to happenings in the old country than they were in the habit of doing before the war.

The war and the rise of the Czechoslovak Republic affected the life of the Czechoslovak immigrant in America in many ways. For one thing, there is now considerable contact between Bohemians and Slovaks here. Formerly, though they were closely akin and cherished theoretical feelings of friendship and brotherly love for each other, these two groups led separate lives.

It is a well-known fact that immigrant groups of different races have little contact with each other; each lives very much to itself, except in so far as its more progressive or better educated members enter into the general life of the community; but Germans in America do not mix with, let us say, Italians, or Croats with Roumanians. The Slavs have always professed to be closely related, but one Slav group in America has practically no contact with a different Slav group; that applied even to the relation of Bohemians to Slovaks. Bohemians had their own societies, fraternal, beneficial, gymnastic, social; they had their own halls and their own newspapers; and so did the Slovaks. During the war they came together, since both were interested in the same end; namely, the establishment of an independent state by the two kindred races—or one race with two dialects, whichever view of their relationship one may hold to be the true one. Now that their brothers across the ocean make up one household, one political and economic unity, represented in America by the Czechoslovak Legation and the Czechoslovak Consulate, the two immigrant groups find that their relationship is no longer a ques-

tion of theory, but a substantial fact. Thus their principal racial organizations are federated into the Czechoslovak National Council of America; both are interested in combating Magyar or German propaganda unfriendly to the Czechoslovak Republic; both collect money for the Czechoslovak Red Cross and other relief activities. The Slovaks, especially in Chicago, Cleveland and the western states, read Bohemian daily papers; they celebrate in common Czechoslovak Independence Day, and send speakers to each other's meetings.

In one respect the campaign for Czechoslovak independence, financed from this country, exerted a different influence on Bohemian life than on Slovak life in America. Before the war Bohemians in America were divided pretty sharply into two hostile camps. Nearly two-thirds called themselves "liberals" or "free-thinkers," while most of the rest were faithful Catholics. The Protestants were few. There were free-thinking death benefit societies and Catholic death benefit societies; liberal Sokols and Catholic Sokols; free-thinking social halls and church halls. Above all, Bohemian newspapers either adopted an anti-clerical tone, or they were strictly Catholic organs. When the great war came the liberals together with the Protestants, small in number but strong in able workers, took the lead in the campaign for the liberation of Bohemia. The Catholics at first limited themselves to collections for relief work, but in 1917 their principal organization, The National Alliance of Bohemian Catholics, joined the Bohemian National Alliance which up to then had financed, with some help from the Slovaks, Professor Masaryk's campaign.

During the war people in Bohemia could not make known their real senti-

ments owing to Austrian terrorism; it was realized by Bohemians outside of the Central Empires that they must present a united front, so as to demonstrate to the Allies that all Czechs, without regard to religion, were opposed to the German cause and to Austrian rule and wanted independence. Under those circumstances the barrier which had existed for decades between the two camps of Bohemians in America was finally overcome. Since 1917 liberals and Catholics, as well as the Protestants, joined in holding public meetings and demonstrations, conducting bazaars, making house to house collections, and in every way working together. This new spirit of coöperation survived the exigencies of the war. The two principal organizations still hold joint meetings and the old antipathy is little in evidence. Some efforts are being made to restore the old free-thinking movement with a view to keeping the freethinkers and those who are indifferent away from all contact with the Catholics; but the movement is not making much headway.

Among the Slovaks, the opposite has happened. About one-fifth of the Slovaks are Lutherans while the rest are Catholics. The anti-church or anti-religious spirit was never strong among them, and the Catholics and Protestants got along remarkably well together. During the war some complaint was made by those more zealous in the national cause that many Slovak Catholic priests favored the Magyars, instead of backing fully the national aspirations of their race. Only since the establishment of the Czechoslovak Republic can one trace something like a split along religious lines among Slovaks in America. It is a reflex of political disputes in the old country, where some Catholic leaders took openly the side of the Magyars, while

the others established a Catholic political party, which has in its program wide autonomy for Slovakia within the Czechoslovak Republic. Unfortunately many Slovaks believe that the Catholic party does not really want autonomy, but separation from the Czechs.

In the United States the original organization which led the movement for Slovak liberation, the Slovak League of America, looks with suspicion on the more recent organization known as the Slovak Catholic Alliance, which backs the Catholic party in Slovakia. The league is still supported by many faithful Catholics, including some priests, but its main strength is among the Protestants and those indifferent to religious questions; while the Catholic Alliance is led by priests and composed of those who place more emphasis on religious rather than national considerations. This has been complicated further by the motive of rivalry between two strong organizations for greater influence, and as a result Slovaks in America are now as badly split as were the Bohemians before they got together during the war.

This brings us to another question that agitates the minds of Bohemians and Slovaks in America. The war gave rise to a number of powerful organizations which are still in existence now that their principal *raison d'être* is over. The Bohemian National Alliance was organized at the end of 1914 and before armistice came it had hundreds of local branches. Its total collections were considerably more than a million dollars. The Catholics organized themselves much later and the National Alliance of Bohemian Catholics was never as strong and never collected such large amounts as the older body. The Slovaks established their Slovak League some years before the

war, but it was a weak body and even during the first years of the war it did not exert as much influence over the Slovaks as did the Alliance over the Bohemians. By 1918 it grew to include the great mass of the Slovaks in America, Catholics as well as Protestants. There was during the war no separate Catholic organization of the Slovaks.

The purpose of these bodies was primarily to finance the campaign for Czechoslovak independence and to influence public opinion in America in favor of it. When independence was gained toward the end of the war, the organizations continued in existence; at first occupied principally in collecting funds for relief work, later in placing themselves gradually on a peace basis. The National Alliance of Bohemian Catholics found it easy to declare itself an organization watching over the interests of Bohemian Catholics in America and assisting the Catholic cause in Czechoslovakia. The Slovak league did not find it so easy to define the objects of its activity on behalf of Slovaks in this country; and as a matter of fact, its work since the Armistice has been to support various charities in Slovakia and partly to continue the fight against the Magyar propaganda, both in Slovakia and abroad. It is now engaged also in controversies with the Alliance of Slovak Catholics which was organized toward the end of the war on purely religious grounds, but which later attempted to supplant the League as the principal Slovak society. The Bohemian National Alliance of America, formerly the strongest of these organizations, has not been able so far to find fresh work and consequently has lost more ground than the other bodies.

When one considers what great transformations have been made by the war and the rise of an independent Cze-

choslovakia in the life of Bohemians and Slovaks in America, one would imagine that their attitude toward American problems would be greatly affected by influences emanating from the old country; but this is not so. Take for instance the matter of socialism. In the Czechoslovak Republic, where living conditions are still very unsatisfactory, socialists of various views, from very mild to radicals, secured almost one-half of the total vote for parliamentary representatives.

Among the Bohemians and Slovaks in the United States there has been no increase of socialist votes; in fact, the socialist groups undoubtedly lost in influence. In the late presidential election the only issue apparently was the League of Nations and the ratification of peace treaties. Now Czechoslovak's existence is based on the peace treaties. President Masaryk is known as a strong supporter of the League, and President Wilson is still very popular in Bohemia as a good friend of Czechoslovaks; yet all these facts had apparently no influence on the votes of Bohemians and Slovaks here. A feeble attempt was made by the democrats to gain votes among the Bohemians by appealing to these considerations, but on election day Bohemian wards in Chicago, Cleveland and New York, wards which are always democratic, went Republican. When it comes to American politics, Bohemians seem to be swayed by the same general influences that govern the public opinion of the nation as a whole.

Among the most pressing problems, applying equally to Bohemians and Slovaks in the United States, is the lack of new immigration since 1914. Before the war about 10,000 Bohemians and 25,000 Slovaks arrived at American ports annually; since the war began, this number has dwindled

down to a few hundred. Lately there have been some indications of a new wave of immigration, but so far emigration has greatly exceeded the number of newcomers. Since the Armistice more than 23,000 passports have been issued by Czechoslovak Consulates in the United States to Czechoslovak citizens returning to their homeland. That means about 35,000 persons. Of that number possibly 5,000 have come back to America, either because they changed their minds or because they were going only for a visit. Of the 30,000 net decrease, 90 per cent are Slovaks. Very recently large numbers of Slovaks, especially from eastern Slovakia are emigrating to the United States; and if there should be no new restrictions on immigration, the Slovak total in America would return to its former figure in a very few years. In the meantime both Bohemian and Slovak fraternal societies feel the lack of new blood. Old members are dying and their place is no longer taken up by fresh arrivals. Children of the members prefer to join American fraternal organizations or take out insurance in the regular insurance companies. All societies paying death

benefits are losing in membership and have to raise their dues.

The same situation is felt by Bohemian and Slovak papers. The loss of old subscribers is not made up by newly arrived immigrants. Many weaker papers had to suspend, while the stronger dailies still make money, because the country has had unusual prosperity until lately, and advertising was plentiful and remunerative. A period of depression with loss of advertising will be severely felt by practically all the Czechoslovak newspapers.

Like every other immigrant group Bohemians and Slovaks look with suspicion on Americanization. They fear that it may mean suppression of their newspapers, prohibition of public meetings or possibly even of lodge meetings in their own language, registration and regular reporting of those who are not American citizens, and various other measures that savor of force. An Americanization program, if it is to be successful and not defeat its purpose by rousing opposition, must not come to the foreigner as a series of repressive regulations, but as a gift offered in the spirit of American liberty and democracy.

The Polish Group in the United States

By JULIAN KORSKI GROVE

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THE people of the Vistula Valley began to emigrate to America about 1850, thirty years before their real exodus with the flood of the "New Immigration." The character of this first migratory movement was agricultural. The Polish immigrants settled in Karnes County, Texas, and Portage County, Wisconsin, which became centers of further Polish colonization. In 1870 large Polish farming settle-

ments existed in Michigan, Minnesota, Illinois, Nebraska and North Dakota. They are still existing and in good condition. A survey made in 1909 by Professor John Lee Coulter of the University of Minnesota, and published in *THE ANNALS*, contains this statement: "No class of citizens, whether immigrants or descended from immigrants half a dozen steps removed, could ask for greater material progress, better



buildings—homes, churches, schools and town buildings—than the Polish settlements in Walsh County, North Dakota.”¹

Besides those large settlements in the West and Northwest there are smaller Polish farming communities with churches and parochial schools in Iowa, Ohio, Pennsylvania, Connecticut, Massachusetts, New Jersey, New York and Delaware. Many Polish truck-farms may be also found in the vicinity of larger cities in the Middle Atlantic States.

According to the United States census of 1910 the number of people, immigrants as well as natives, using the Polish language in their daily intercourse was 1,707,640. Of these 163,001 were residents of the six New England States, and 1,083,535 lived in the territory surrounding the Great Lakes and including the states of New York, New Jersey, Ohio, Michigan, Indiana, Illinois, Wisconsin and Minnesota. The rest, *i.e.*, 461,104, were distributed south and west of the Ohio and Missouri Rivers.

Another careful census made simultaneously by the Polish National League of America shows the number of Polish-speaking people in the United States to be 3,063,000, of which 407,000 have been found in New England and 1,930,000 around the Great Lakes. The remaining 1,326,000 were distributed south and west of the districts mentioned above.

There are 717 Polish Roman Catholic parishes in the United States, most of which possess parochial schools. Of these parishes 67 are located in New England (40 in Massachusetts), and 407 in the territory about the Great Lakes. Thus 474 Polish parishes are to be found in the four-

teen states north of the Ohio and Missouri rivers. The remaining 243 parishes are in the other 34 states. Besides the Roman Catholic parishes there are also about 50 parishes of the Polish National Church and several Polish Protestant churches, mostly north of the Mason and Dixon Line.

As compared with the total of the Polish immigration the number of Polish farmers in the United States is very insignificant. Surely nine-tenths of the bulk of Polish immigrants drifted into different American industries where unskilled labor is essential. Lured by good wages and the prospect of saving enough for the passage of his family to America, the Polish peasant became a city laborer, an unskilled factory worker or a miner, living in congested districts and slums near stock-yards, tanneries, foundries, mines, cotton mills, and other “unpleasant” industries in the regular “Immigration Zone.” The truth of this statement is proved by the fact that the six states belonging to the “Zone,” to wit, New Jersey, New York, Pennsylvania, Michigan, Ohio and Illinois contain 408 Polish parishes of the 717 in the whole United States.

The quality of the bulk of the Polish immigration in the prewar times is well illustrated by the registers of the United States Census Report for the fiscal year 1912-13. Of the 174,000 newcomers 82,000 were registered as farm laborers; 32,000 without profession; 30,000 as servants; 19,000 day laborers; 1,389 carpenters; 976 blacksmiths; 904 shoemakers; 886 tailors; 704 seamstresses; 657 locksmiths; 411 bricklayers; 404 farm owners; 223 textile workers; 150 millers; 130 merchants; 37 teachers; 28 printers; 20 priests; 16 civil engineers; 10 sculptors and painters; 9 architects; 3 editors; 2 actors, etc. It appears that the overwhelming majority of the Polish immi-

¹ See THE ANNALS of the American Academy of Political and Social Science, Vol. xxxiii, page 377, published in March, 1909.

gration consists of unskilled workmen and farm laborers.

As with other groups of peasant immigrants the main difficulty of the Poles in America is the want of honest and intelligent leaders in social, educational and financial matters. Surrounded by swarms of heartless confidence men and rascals, who consider every immigrant their legitimate spoil and booty, they are exposed to every conceivable abuse with scarcely no one to protect them and to assist them in finding their right place in the American society which seems to be only too anxious to "Americanize" them.

But the present methods of Americanization are, with few local exceptions, too aggressive and supercilious to be considered as more than a source of constant misunderstandings, and an obstacle to a peaceful and friendly mutual appreciation between recent immigrants and the descendants of immigrants half a dozen steps removed. The impatient Americanizers, in their patriotic zeal, appear to forget that the most characteristic trait of every Pole is his intense patriotism, which makes it impossible to ever forget his mother country and his mother tongue out of pure gratitude for the new adopted country. Many thousands of Poles joined the American army in the last conflict and bought Liberty Bonds, but the same Poles have been so much Russianized, Prussianized and Germanized during the last century and a half, that they absolutely refuse to become Americanized by compulsion.

Instead of confining the method of Americanization simply to instructing the recent arrivals in the language and civics of the Commonwealth so as to enable them to find themselves in the strange surroundings, they are handled like prospective criminals or minors. In the evening schools for foreigners

they are instructed according to the most approved and silliest kindergarten methods in the hope to make proud American citizens out of the self-respecting and self-supporting mothers and fathers of large families. The general run of evening school instructors does not seem to realize that the problem of assimilation of immigrants through educational agencies is very complicated indeed.

An average Polish immigrant, living in a congested factory town, knows hardly any recreation after his daily work has been done. The evening school ought to be a logical place for his social intercourse just as his church is his place of devotion. The school, besides being his social center and besides giving him instruction in the American tongue and civics, ought to show him by means of visual instruction all the wonderful agricultural and industrial opportunities awaiting every ambitious and intelligent man and his family in this "Land of Opportunities." There is no doubt that by this sort of treatment the problem of Americanization would work out its own satisfactory solution sooner than most zealous American patriots ever expected inasmuch as it has been tried and has proved its value.

However, the most difficult part of the Polish problem in America is that pertaining to distribution of those thousands of immigrants who will soon clutter Ellis Island, despite all the restrictive and inimical legislation in the near future. An attempt to distribute the three or four million Poles packed in the Immigration Zone must be abandoned as a hopeless task.

The reports of the Polish National League make it evident that the Polish immigration wave is slowly spreading throughout the Northwestern territories reaching, up to this time, North Dakota. In Michigan it constitutes

10 per cent of the population; in Wisconsin, 12 per cent; in Minnesota, 6 per cent; and in North Dakota, 6 per cent. There are already two small Polish parishes in Montana, one in Idaho and two in Washington on the Pacific Coast.

All attempts to direct Polish immigration to the states south of the Mason and Dixon Line have been unsuccessful. The number of Poles in Texas, although they began to immigrate there long before the Civil War, never reached 30,000, while in Wisconsin, where they started to settle about the same time, their number crossed the 300,000 mark. Moreover, the Poles in the Northwest produced many professional men with university training, while the Polish settlers in the "Rice and Cotton Belt" during the seventy years of residence in that uncongenial climate have produced not one prominent representative either in science or in politics.

Polish peasantry, constituting the bulk of Polish immigration to this country, has always been agricultural. A Polish immigrant, considered as a type, is a highly skilled, professional farmer and home maker, but an unskilled factory worker. He belongs to the soil, and ought to be put on land instead of being lured by labor-agents into cities, factories and mines. By

helping to distribute Polish immigration on farm land the government would increase food production and decrease high cost of living as well as poverty and misery in congested city districts. One heroic attempt of our federal government at the solution of this problem resulted in the creation of a Bureau of Distribution and Information in the United States Department of Labor in 1907. It still exists, and distributes printed information in many languages among illiterate immigrants.

It is perfectly clear to everybody that the descendants of the permanent Polish residents in the United States will become as thoroughly assimilated and an integral part of this nation, as do descendants of other immigrants. But, as all others are conscious of their foreign origin and deep in their hearts harbor a sincere sympathy for the land of their ancestors, so it will be with the Americans of Polish descent. Before its resurrection, Poland used to call the Polish group in the United States its "Fourth Part," the three others being those under Russia, Germany and Austria. This group of over three million Poles is a sufficiently strong link to bind the two sister republics forever. The people of Tadeusz Kosciuszko will remain true to the great tradition of loyalty to the United States.

The Second Generation of Immigrants in the Assimilative Process

By THADDEUS SLESZYNSKI

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THE second generation of immigrants is considered by most writers and students as one group, thoroughly American. Because these young people are born in America, because they understand and speak

English, their assimilation is taken for granted. Closer observation and analysis, however, reveal the fact that this is not altogether true. There are several more or less distinct groups among these people, depending on the

different attitudes and reactions they may have to the highly organized life of the foreign communities which has in some way influenced the lives of nearly all of them.

These foreign colonies, which are to be found in every industrial center in the United States, are an outgrowth of the attempt made by the immigrants to adjust themselves to the strange conditions in a new land. A common language and in nearly every case a common faith are the foundations on which these communities are built. As they exist today they furnish the elements for satisfying all the social, economic and spiritual needs of their members. With many of the racial groups the parish is the center of all the community activities. In it are centered the religious and social activities, the dramatic clubs, the singing societies and the mutual benefit associations. Besides the parish halls there are other common meeting places, such as lodge halls erected and used almost exclusively by the immigrants of one nationality. Amusement places where the people can enjoy vaudeville and dialogue in their own language are found in every foreign colony. Whether published there or not, some foreign language newspaper circulates in the community. Through it is sifted all the news of the outside world. Practically all business is transacted in the common language, and the community has its own doctors and lawyers.

If the colonies are large enough, they are sure to be represented by politicians who are members of the dominant race. Since these men are usually interested in delivering the votes, they encourage their fellow countrymen to become citizens, often to the extent of organizing classes in English and citizenship. Consequently, whatever ideals of American citizenship the

members of the community hold are acquired largely through these men. In many of the parochial schools the foreign language is given equal prominence with the English. Thus, in addition to hearing the foreign language spoken at home, the children learn it in school and come to use it even on the playground. It is more necessary to know the foreign language than to know English in order to make one's way about in some of these neighborhoods. Moreover, in most instances, these more or less isolated foreign colonies are more closely in touch with one another than with the city of which they form a geographical part. The contact with the larger community is maintained through a few leaders, usually politicians, who are in touch with American institutions. Many of these are already of the second generation. It is no doubt necessary for the immigrants who are ignorant of American ways of life to work out community problems along racial lines. There is no other way in which they can do it. In many of the older communities where large numbers of the people speak and read English this practice is no longer necessary. Nevertheless it is perpetuated to the advantage of a few and carried on even by the second and third generations.

There is much of art and beauty among our foreign folk that should be preserved for future generations. Their music and folk songs have a rhythm and a beauty all their own. We have nothing in America quite like the dances which they all danced together at the village festivals in Europe. There is an appreciation of opera and good music among the common people found only among Americans of education and training. More of their books deserve to be translated into English for the profit and enjoyment of all. There is a hospitality

and a spirit of neighborliness among our foreign born which we of this day have somehow lost. There is a feeling of pride in their work felt by artisans who have had their training in the small towns of Europe that is not often found among American workmen. All these things and many more should be passed on to become the heritage of future generations. Plainly, whatever of this heritage is preserved must be done so through the second and third generations. The question that arises is, are they doing this or are they merely perpetuating racial solidarity?

Because the young people of the second generation mingle more or less with Americans, gain a knowledge of American traditions and institutions and speak English fluently, they come under influences that have not touched their parents. As a result, there is an inevitable reaction on their part to the standards, interests and attitudes found in the foreign colony. This reaction is different with different individuals. In general they may be divided into five groups. One group of these young people largely conforms to the dominant tendencies of the foreign colony and remains a part of it. A second group entirely loses its contact with the foreign colony. A third group, though in no way participating in the life of the colony, is claimed because of unusual achievements. A fourth group, though it has been absorbed by the larger community, plays an important part in the organized life of the foreign community. The last group keeps in touch with the foreign colony and appreciates probably more than the others the desirable elements that should be preserved, but at the same time it is making a conscious effort to remove the barriers that separate the immigrant colony from the larger community.

GROUP CONFORMING TO STANDARDS OF FOREIGN COLONY

The members of the first group are handicapped more than any of the others, in fact more than any group of young people in America. Practically all of them come from homes where there are large families and no leisure. Most of them are compelled to leave school at an early age because of the economic conditions of their parents. In many cities where one-quarter to one-third of the children in the elementary schools is of foreign parentage, only a small percentage is found in the high schools and less than two per cent in our colleges. When they are old enough to work they must have a job. If through great sacrifice on the part of hard-working parents they receive the minimum education for one of the professions, they start out burdened with debts to pay or relatives to support. So they must devote all of their time to making ends meet. Because of their lack of leisure, but few of them are well acquainted with the music, art and literature of their own nationality. At the same time, they have only a superficial knowledge of the best in American life.

These young people remain always definite factors in the life of the immigrant community in which they were born. In most instances they speak the foreign language and read the foreign language newspaper. Their social life is limited to the foreign colony, and they usually marry in their own group. Most of them are employed as unskilled workmen in our various industries, but some of them learn a trade or take the places of the older men in business and become the small shop-keepers of the neighborhood. Some of them become lawyers and doctors and a few become the political and religious leaders for their community. The members of

this group no doubt exercise an Americanizing influence, but their tendency is to follow the line of least resistance and conform to the accepted standards of the community. They form a group that, though born in America, is not entirely of America.

THOSE SEPARATED FROM FOREIGN COLONY

In the second group may be placed those young people born in America of foreign parentage who either lose their contact with the foreign colony or perhaps have never had any. They may have the same educational and economic handicaps as the first group. Some of them are born outside the foreign colony, never learn to speak the foreign language and never come in contact with any people of like parentage. Others become separated from friends and relatives through permanent employment and residence in a place where there is no community of their particular nationality. Since there is no opportunity to speak or read the foreign language, it is often forgotten. Many of these young people, seeing the difference between their social life in the colony and the less limited one of their American friends, come to despise everything connected with the foreign colony. They often deliberately leave home, change their names and by so doing renounce their nationality. Association with people who look down upon foreigners brings about similar results. Some of the members of this group lose everything of their foreign heritage and acquire only that which is cheapest in American life. On the other hand, others are thoroughly American and hold their own in American society.

THOSE CLAIMED BY THE FOREIGN COLONIES

The third group, doubtless the small-

est of all, includes those who have no social or economic interests in an immigrant community. They are the artists, writers and musicians to whom the members of their own nationality point with pride as being of the same race with themselves. They belong entirely to the larger community. Nevertheless, they do not deny their nationality or change their names, but are proud of their heritage, and interpret for the rest of the world the music, art and philosophy of their own race. They are not only keeping alive the best of their own traditions, but they are also making a great contribution to America.

LEADERS OF BOTH FOREIGN BORN AND AMERICANS

The fourth group includes those who because of unusual opportunity or ability have succeeded in winning a place in the larger community as well as in the immigrant colony. They usually acquire a good education, and by dint of hard work and persistent effort gain positions of leadership among both foreign born and Americans. They often do not live in the foreign colony, but at the same time they keep in touch with it because of financial or political interests there. They speak the foreign language fluently and are more or less acquainted with the culture and traditions of their own nationality. At the same time, they know the best in American life. Among them are bankers, business men, lawyers and doctors. They serve not only the members of their own racial group but the larger community as well. Many of them are public-spirited citizens who are entrusted with high public offices by the larger community. In this capacity they render valuable service and gain the respect and recognition of all. They are becoming the real lead-

ers in our immigrant communities and are in a position to serve as the interpreters of their people to America and of America to their people. Unfortunately, instead of bringing the foreign colony closer to America, many of them capitalize its racial solidarity for their own private interests. As American citizens, with interests and experiences reaching far beyond the limits of the foreign colony, they do not approve of the standards set by the foreign-born leaders. There is no doubt that they exercise an Americanizing influence, but they are prone to feel out the sentiments of the majority before taking a stand on any issue involving the colony.

THOSE ACTIVE IN ASSIMILATION

The distinguishing characteristics of the last group are exemplified in a few social workers who speak foreign languages. Most of these young people are born in a foreign colony and few have had the advantages of a liberal education. Many of them have not even finished the high school. Because of their knowledge of foreign languages, social agencies have taken them out of their jobs in factories, department stores and offices to serve as clerks and stenographers as well as interpreters. Many of them continue to occupy these minor positions, others become efficient social workers, and a few succeed to executive positions. They are familiar not only with the language but also with the traditions, customs and peculiarities of their immigrant fathers. Most of them take an active part in the social and religious life of the foreign colonies, and at the same time they participate in the activities of the larger community. They thus have points of contact which the American social workers can never hope to gain.

Because these young people are

working through the community agencies they have an opportunity to view the problems of their own people from the standpoint of the needs of the community as a whole. They are specializing in the solution of problems arising from maladjustments, and so they see more clearly than those in any of the other groups just what are the narrowing influences in our immigrant communities that should be removed. Moreover, they feel that it is their duty to remain in these communities and by working from within them to remove these influences. They appreciate that there is much that should be preserved and passed on as the heritage of future generations, that many activities must be continued along racial lines, and that the use of the foreign language is still necessary. But because they have gained a vision of the ultimate social goal, they see the next steps that are to be taken to bring the foreign colonies into closer relationship with the larger communities of which they are parts.

Inevitably, they clash with the present leaders. This clash of ideas as to methods and policies in working out the problems of our immigrant communities can be illustrated by an account of what took place in a club formed by the social workers who spoke the language of the most important racial group in one of our large cities. This club included, in addition to about twenty workers employed by American social agencies, a number of leaders interested in social work in the colony. These foreign leaders usually considered the problems of the colony from the standpoint of their people alone. The social workers considered them from the standpoint of the community as a whole. The foreign leaders were inclined to work out a solution separately, by action taken through

their own organizations. The social workers believed the solution should be found through community agencies. Where the foreign leaders often regarded the community agencies as instruments to be used for the particular advantage of their people, the social workers naturally regarded them as the means whereby all the racial groups could be brought together. The foreign leaders usually expected the social workers to favor the members of the colony and to conceal from the agencies that employed them many of the existing evils. At the same time, they hesitated to take any stand against the members of the colony who were responsible for some of these evils. Because of these opposing tendencies, the club went to pieces after three years of useful existence. This same conflict is in evidence wherever these young people meet with the present leaders in the foreign colonies.

Though this group is best fitted to hasten the process of assimilation its peculiar value has as yet not been generally recognized.

Each group has its place and its share in the assimilation of the foreign born. Without the first group, the organizations and institutions established by the immigrants would go to pieces before their period of usefulness is past. The second proves that complete assimilation is possible, but not always desirable. The third group emphasizes the cultural contribution which our immigrants can make to America. The fourth suggests what these people, through their inherent ability, can accomplish when their handicaps are removed. The last group shows that the process of assimilation can be worked out from within if those capable of leadership could be given the opportunity to prepare themselves for this responsibility.

Elementary Education for Adults

By RUBY BAUGHMAN

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TO summarize briefly the activities of a department of immigrant education is not easy. The air is full of a whirl of words most of which we have made empty of meaning. Social education, vocational education, civic centers, Americanization, socialization, social service, community activities—all of these are interpreted by each individual according to his own peculiar altruistic point of view or selfish desire.

Yet, there are a few outstanding approaches to the task of defining the field of subject-matter and the learning process. Concerning the need of a common national language there can be no debate. That single task is no

small thing for a public school system to segregate from its numerous other obligations, and to undertake as a unit of endeavor. Surely the compact foreign possessions lying within our immediate national borders deserve much time and money and intelligent effort; a common language will be purchased at no small expenditure of the three. We are deluding ourselves in these present days by pleasant, platitudinous dissertations and theorizings about the task. Slogans and catchphrases obviously valuable for political purposes are adopted. The work is something quite different: it involves an investment of intelligence, money and professional devotion over a long period

of years. Adults do not acquire a second language easily or in a short period of time.

The new social relations growing out of the final occupation of all the usable new land have complicated life for all of us. A great homeless wandering army of tramp labor has developed. Producer struggles with consumer; labor fights with employer; distribution struggles with production; organization nullifies initiative; racial group contends with adjacent racial jealousies; everybody is fighting somebody about something. And the only peaceable remedy (all the professional reformers to the contrary notwithstanding) is conference. There has been no way devised on earth among men whereby struggling humanity may settle its difference save only two—exhaustion by war and adjustment by conference.

Nationally speaking, this can not be done so long as the attempts to reconcile the diversified groups are based on mutual scorn and contempt; reconciliation must be derived rather from an intelligent comprehension. This need not attain to the strength of friendly understanding; a mere intellectual compilation of the issues at stake and the opposing points of view will suffice as an initial step. A problem clearly stated is half solved.

No adequate degree of such neighborly comprehension, however, can exist between American groups and immigrants in periods of storm and stress like the present for reasons easily apparent. Compelled by circumstances over which they have no control the newly arrived strangers tend to agglomerate into colonies. Alien groups are necessarily adjacent to American institutions, but not of them. For a very fundamental reason this occurs. The immigrant often appears dumb or stupid in the face of unaccustomed

surroundings. As a matter of fact he is something infinitely more pathetic and serious,—an intelligent human creature caught in the net of alien experiences which he does not comprehend and about which he may not ask, and concerning which his neighbors are prevented by one great obstacle from offering any explanation. That obstacle is the one thing that must be cleared away no matter what else may or may not be contributed to the general task of democratization.

To furnish this one first thing the nation has made no unified, comprehensive attempt. Indeed we have been so remiss that we have not only neglected the education in a common language so essential in a democracy, but we have also permitted the immigrant to form his ideas of our national life by contact with its worst phases. Trickery, chicanery, poverty, dirt, vice, governmental inadequacy, industrial instability, treachery to our government,—all these he finds expressed only too well. So seldom does he meet the organized forces in society that are struggling to right these conditions that he often arrives at the conclusion that those activities do not exist. The only avenue by which they may travel to him and through which he may arrive at them is the language of the country. That he must learn.

This process by which adults acquire a second language is educational. The nature of the process thus determines the social agency that must undertake the task. There is only one such agency in a democracy—the public school. If it is now inadequate to the task, then it must be rendered adequate. Even the most casual observer of the signs of the times can perceive that the public school must be about that business quickly.

The reduction of American-made adult illiteracy is a second piece of

work easily discernible by the observant educational eye. The American Government depends on the printed page of newspaper and magazines, pamphlet, dodger, circular and inquiry-blank as a means of dissemination of information and as a forum for public discussion. Immense geographical distances compel us to talk things over in print. There seems to be small question of the unwisdom of permitting any considerable number of citizens to be excluded from this discussion by their own illiteracy. We have deceived ourselves long enough by the specious argument that we take care of the home and the adults by looking well to the children in the public school. Statistics on every hand give us evidence of the need of a new point of view.

Out of this complexity and its consequent dehumanizing of both processes and persons grew the sad social isolation of which the public school stands indicted. Schoolhouses and teaching forces are too often in a neighborhood but not of it. Splendid educational palaces tower over the simple habitations of humble folk who receive most of their education in alley, or poolhall, or saloon, or corner grocery, or in even less innocent places. We admit it, but we do nothing about it.

The war hit educators and education between the eyes. It is still an open question whether the blow awakened or blinded. We discovered that education could no longer smugly count its successes by the number of adolescents studying integral calculus; that it must plumb its failure by the number of school graduates who can not make accurate change in a simple purchase. The focus of attention shifted from the expert in Greek declensions and in weak endings in Chaucerian verse to the man who can not sign his name to his pay check. Society, to a greater

degree than the crowd realizes, is at the present moment in the hands of this fumbling, clumsy-fingered, unlettered citizen. That is fair enough in a democracy, for he is the direct product of our national educational procedure. If we do not like his ways we must mend ours.

For the illiterate our schools are responsible directly; for the non-English-speaking citizen, only indirectly. They are both the task of the public school, not as charity patients, not as addenda, not as afterthoughts, but as a large constituent part of the huge plan by which we make over our concept of the business of education.

The organization of a department of immigrant education in 1916 segregated the activities that belong to the field of adult education in order that especial attention might be given to the problems arising in that new and unchartered phase of education. The elementary evening schools were included because they formed at that time the greater portion of the work with adults. A few sporadic experiments outside their limits with special day and evening classes indicated the lines along which development might be pursued.

The chief business of the department seemed clear: to devise means of placing within reach of all groups of both American and non-American persons adequate facilities for becoming familiar with American social, economic and civic institutions and ideals—not only with the ideals but also with the more or less satisfactory practice. The native born are separated from such a democratization process by insufficient and ineffective opportunity, by indifference and fatigue, and by inconvenient hours of labor; the foreign born add to these handicaps the barrier of language. To this immense number the public school of a democ-

racy that hopes to live owes a flexible, attractive, neighborly, simple, real educational advantage. The new adult education accepts the obligation to offer "training in any subject useful to any considerable number of citizens at any time and in any place best suited to the convenience of those citizens."

Concerning the method and manner of development of such opportunities there are two viewpoints. The one implies a wholesale proceeding which organizes a large number of schools and classes and the assignment of teachers from a general list in the hope that out of the great bulk some fractions may prove vital and permanent. The other viewpoint involves an analysis of each given district, an assignment of individual workers especially adapted to the peculiar tasks of that neighborhood, and an adjustment from time to time of all plans and procedure to varying social conditions. The first method makes at any given time a more brilliant showing especially when its initial steps are preceded by a noisy publicity campaign which draws students into classes in large numbers, and as quickly loses them. The second process is always in a process of construction or reconstruction; it suffers all the vicissitudes and variations of adult life because it is based deliberately on the needs and desires and changes of the adult life it presumes to attempt to serve.

The second path is the one followed: first, because it is valid; second, because it maintains the maximum of real activity at a minimum of expense. A simple, natural hence subtle manner of approach, an informal, non-mechanical, un-card-indexed, almost casual quality of development builds up classes and schools reasonably social, not too rigidly administered, yet effective in commanding the respect

of their community. Teachers peculiarly fitted and particularly trained for the work; an adaptation of subject and method to the actual needs and desires of the students; a quiet, systematic, continuous, cordial interpretation of the school to its community—these are the basis.

With this conception of their function the classes for adult wage-earners have thus far fallen into eight groups:

1. The night school, varied, however, in number of nights a week, in hours of meeting and in subject-matter as needs demand.

2. Special classes for mothers, American and foreign-born, meeting in schoolhouses at any hour of day or evening, any number of days a week.

3. Labor camp classes for foreign women in afternoon or morning and for men in the evening or at "off" hours.

4. "Factory classes" in paper mills, laundries, car barns, canneries, factories, Pullman cleaning departments, etc.

5. "Cottage" classes.

6. Classes in unusual locations like hospitals, jails, fire-stations, etc.

7. Boarding-house classes for groups of non-American laborers.

8. Community gatherings largely under local committee supervision and direction devoted to recreational, economic, civic or informational aims.

Several of these groups look at first glance much like each other but they are as a matter of social fact elementally different.

The social and industrial complexes of Southern California are literally that. In addition to the immigrant groups found in other sections of the country, the Mexican and the Oriental tangle the threads of race prejudice and commercial competition through the warp of integration. Furthermore, there are rotations of seasonal

employment and unemployment and spasms of over employment, which lack utterly the correctives found in more varied or less varied industrial communities. The local processes of adjustment are peculiarly matters of education.

For instance, the groups of Mexican citrus fruit workers who understand one process—packing by way of illustration—must be taught not only the English vernacular of their own familiar process but they do well also to learn the existence of other related processes of growing, cultivating, pruning, picking and irrigating. By a slow growth of comprehension and desire the unskilled laborer takes on a seasonal program of labor which leads definitely to a practice of thrift, home-owning and identification with his community.

The Industrial Relations department of the Fruit Growers' Exchange have recently issued for the use of their employes a textbook of lessons in industrial English, which is also a compact description of the several processes using foreign laborers. The book was compiled by the supervisor of immigrant education in Los Angeles, and is used by teachers whose duties and relations to the community are rather strikingly a modern educational development. The teacher is hired partly by the local school boards and partly by the local association; she devotes her time to the labor camp, paying special attention to the house-mother and her problems and to camp recreation. Such correlations of function are a whole world removed from the old-line night school of the reactionary educator and employer, but the new idea fits very comfortably into the yawning holes of a sadly shattered, postwar economic situation. Five years of experimentation with labor camp and other industrial classes have

yielded a small measure at least of certainty concerning the safe and profitable lines of procedure.

Not all classes for wage-earners have been dependent on the initiative of the employer. The large and tremendously useful Labor Temple Evening High School, started three years ago in a small way as a summer elementary school, has developed steadily in purpose and accomplishment to its present scope.

There exists in Southern California, beside a regular seasonal ebb and flow, a large and directionless transient and semi-transient flood of both laboring and leisure population. There are numerous local and peculiar methods of "hiring and firing." There is a relative absence of congested industrial centers with not only their evil but also their good features. There are no slums in the eastern sense of the word. There is a semi-tropical climate with its inevitable relations to living and laboring conditions; the influx of none-too-healthy workers from more rigorous climates is only one of hundreds of such complications. There is a considerable mistrust—not to say distrust—in the feeling of many of the foreign groups due to lack of information or its misinterpretation. This is intensified by the national and international controversies in which they are interested or involved. A general postwar lack of equilibrium holds all these in solution.

In this confusion crises of intensity often develop through the importation of special labor groups for specific seasonal purposes, such as the picking of the cotton crop. These men come as human units; they are reckoned as units of labor. Many of them are refugees,—confused, harassed, helpless, resourceless, exploited, bewildered, alien. They bring a set of social values not so much higher or lower as

essentially different. The Mexican peon has found thrift only an unprofitable practice which made him eligible for further exploitation; why should he save? Ownership has never been included in his list of possibilities; how could he plan to own a shack on a city lot? He lacks temperament and experience in organization; how shall he comprehend his neighbors who excel in it? His home is the center of his universe; how shall he interpret a civilization of labor barracks, hotels, apartment houses and tenements? He is kindly, ingenious, amiable, strong in the elemental virtues; how shall he compete in a contest where the awards go to shrewdness and cunning? He has been brought, but he is not welcome. He is necessary, but that necessity is hateful both to the needy and to the needed. Education of an elemental type is the only road out of his plight but he does not know his need of it and his industrial foster nation has not perceived clearly that he must have it. Life has compelled him into standards of living which are a menace to any environment. He is powerless to alter them alone; his employer is too harassed by the acute problems attendant upon the successful issue of a new project like the introduction of cotton in a new country to give accurate attention to him or his troubles. Between the upper millstone of an engrossed employer and the nether millstone of a community that sees its social integrity threatened is ground the feckless human atom.

Neither this unskilled laborer nor any other adult alien can be fitted into any scheme of education by teachers who lack both training and temperament for the stupendous task. To build a corps of workers who have some notion of the technique of the business, general courses in immigration have been supplemented by spe-

cial courses in the University of Southern California and the Southern Branch of the University of California. The cumulative product of such training in the half decade since the supervisor of immigrant education gave the first course in immigrant education in what was then the Normal School is an incalculable good not only in its effect directly on all the conscious processes of the integration of the immigrant but also in its indirect relation to the liberalizing of all educational activities. So far as is possible in a city system the teachers have been selected for their personal fitness for their particular piece of work. They form a distinct group of marked type and quality. To them, as a matter of course, is the rather unusual result due.

Such teachers find, naturally, the available textbooks and other teaching materials hopelessly inadequate for even the simplest of the multiplicity of needs. Singly and in conferences and committees they developed no less than fifty separate distinctly excellent sets of lessons in different phases of English alone. Charts, flash cards, display devices, leaflets, drill materials for illiterate American groups, have been evolved, usually out of their own resources and at moments when they should have been playing.

As a result of this condition the department has found itself at every step of the work—but especially in beginning English—under a heavy load of obligation to the Director of the Elementary School Library and to her staff of assistants. Out of an already limited library space a workroom for teachers of adult classes has been given over. With meager facilities and a ridiculously small expenditure of money, the committee of teachers and principals in charge of the workroom has organized under the librarian's ex-

pert direction an orderly housing for an inchoate mass of experimental teaching equipment. The workroom rapidly became an informal conference center which contributed immeasurably to the growth of the individuals using it.

The type of assistance rendered by the librarians is indicative: 1. Advising teachers in their choice of text and reference books. 2. Recommending devices for housing materials in class rooms and cottages. 3. Instructing committees and conferences of teachers in expert method of mounting, filing, indexing and preserving unbound teaching paraphernalia. 4. Providing for the circulation of charts and similar devices on the same basis as books and pamphlets. 5. Actually contributing a large part of the picture material and discarded books for leaflets. 6. Guiding the professional reading of teachers by providing in easily available form current pamphlets, bibliographies and monographs not otherwise readily accessible. In a reactionary school system there is no place for such service.

This modern point of view and its simplicity of procedure is an important factor not only in the rehabilitation of the night school but also in the growth of work with foreign women—industrial workers and housemothers. The foreign woman, along with her humble spouse, has been the subject of a belectured sympathy almost maudlin; in her name executive committees and Americanization funds have been organized—funds expended in the maintenance of elegant offices, in large amounts for travelling and other administrative details—funds which should be expended directly on the simple approaches nearest to her interest.

One such means of approach is the "cottage." The comparatively splendid and immense school houses have proved to be overwhelmingly alien to

the great majority of foreign neighborhoods. The housemothers especially must be very gradually drawn to them or any other imposing place. So they have been attracted in groups first to modest, often dingy, little rooms or houses where they learn slowly to come out from the shell of shyness or fear or distrust or loneliness. School authorities have not yet found a method of recording these slow awakenings to a comprehension of the really neighborly intent (despite all the evidence to the contrary) of the great bulk of our native groups toward their foreign neighbors. School registers can show at best only the tabulations of names of the persons who have learned to laugh and play with their neighbors in these small, intimate, unforbidding gatherings, yet this utterly simple thing is the heart of all assimilative processes.

These tiny units of social aggregation are the electrons of all permanent community organization. This practice is, of course, at the opposite pole from the theory that community councils or other forms of group expression are developed by plastering a leader and a machinery of organization onto a district from the outside,—from the national capital, for example, or the national metropolis, or from the state capital. These tiny groups are first led by the slowest, simplest possible steps to a self-realization and a self-confidence; then they are led to join themselves—this also slowly and simply—to other similar neighboring social nuclei. The common meeting-place of several cottage groups is, in one instance, a library; in another case, it is the school house; in yet another it is a vacant store building. It is superfluous, perhaps, to say that these rather delicate and rare plants can hardly be grown in an old-fashioned school system and by old-fashioned school-

teachers who believe that public school conventions and traditions and school district boundary lines were fixed at the beginning of time to last unaltered through the life of the race.

In and out through this network of integration and assimilation, the home teacher weaves a thread of vital and personal contacts. She perhaps more

than any other one agency ties the homes of the neighborhood not only to the school and to each other but also to all the general civic and social agencies which those homes need. Like the function of the rehabilitated night school, like the growth of the cottage groups, her work is humanly simple because it is simply human.

The Education of the Illiterate Immigrant

By THOMAS E. FINEGAN, LL.D.

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AMERICA is now reaping the results of her failure to adopt a sound policy in dealing with the illiterate immigrant who has been welcomed to our shores for more than a century. From the beginning of our national life until 1882 there was no restriction whatever upon immigration into this country. Our doors were thrown wide open to all who desired to come. Through the enactment of a federal law in 1882, the Government undertook to establish a policy of selective immigration. This law had been greatly strengthened by enlarging the list of those denied the right of admission to the United States until that list included convicts, lunatics, idiots, those liable to become a public charge, contract laborers, persons suffering from a loathsome or contagious disease, polygamists, anarchists and prostitutes.

The subject of immigration has been one of extensive Congressional investigation. President Roosevelt presented the subject to Congress in broad, comprehensive messages, and laid down the general proposition that our immigration laws should be amended in a way that would enable the Government "to keep out all immigrants who will not make good American citizens."

In 1897 the immigration laws were vitally amended, the excluded classes were definitely described, and the authority and power of the Government officials dealing with immigration were materially enlarged. Notwithstanding all these efforts of the Government to restrict immigration, the number of immigrants coming into this country increased at a rapid rate, and in 1914 the number who came to America was 1,218,480.

There has, of course, been a constant increase in the number of illiterates among these newcomers until the number has assumed proportions which have proved a menace to the social, economic and political interests of the nation. During the year preceding the outbreak of the war, the number of illiterates increased in eighteen of the leading states of the country, including Massachusetts, New York, New Jersey, Connecticut, Illinois, California and Pennsylvania. An investigation by the State Superintendent of Prisons in the state of New York in 1914 showed that one-third of all the prisoners in the state prisons were aliens, and that one-half of these aliens, or one-sixth of all the prisoners in the state, were not able to read and write. The census of 1920 shows that the approximate

number of adult illiterates in this country is 7,000,000. The number would undoubtedly have been much greater had there not been a suspension of immigration during the period of the war.

The statement is made by reliable authority that one-fourth of the young men within the draft ages in the recent war did not possess sufficient education to interpret properly the orders from their superiors and were thus unprepared to become efficient soldiers. If a young man, because of lack of the fundamentals of an education in English, is disqualified to discharge his duties as a soldier in times of war, is he not also for the same reason disqualified to perform his obligation in the civil affairs of citizenship in times of peace? Can an uneducated man be more effective in civil affairs than he can be in military affairs? • Should we not as a nation in times of peace prescribe intellectual standards of citizenship which are the equal of such standards prescribed for soldiers in times of war?

Students of social and political problems have anticipated the embarrassment which was bound to come to this country through the admission of these illiterate immigrants without a definite policy requiring them to meet educational standards after entering the country. For some years those giving this subject careful thought have advocated a literacy test. Senator Lodge introduced in 1896, twenty-six years ago, an immigration bill containing a literacy test. This measure proposed the exclusion of all persons between fourteen and sixty "who can not read and write the English language or some other language." The Lodge measure passed Congress in modified form, but was vetoed by President Cleveland. In his veto message, the President clearly stated his

opposition to a literacy test. President Taft vetoed a similar measure in 1913, and President Wilson vetoed one in 1915 and again in 1917. Congress passed the 1917 measure over the veto of the President, and the provisions of this Act became effective on May 1, 1917.

Under the terms of this law, all aliens are to be excluded who are over sixteen years of age, who are physically capable of reading but who can not read. This law exacts that a test shall be given each alien before being admitted, and that such alien must be required to read "not less than thirty or more than eighty words in ordinary use." The law does not exact that the alien shall be able to read English. The law is satisfied if the alien reads in English or some other language or dialect. The law furthermore exempts those from this test who seek admission because of religious persecution and certain others who are relatives of American citizens or of admissible aliens. Data is not available to show the number of aliens denied admission as a result of the operation of this law, but our general knowledge of the subject warrants the prediction that the literacy test prescribed under this Congressional Act will prove a feeble defence against the continued admission of illiterates.

In all the discussion which has taken place upon this subject, there has been a common agreement that the initial step necessary to dissipate the pending evils in this subject is to teach these illiterates to speak and write the English language. These people can not become happy, contented, useful citizens until they are able to express their needs, desires and thoughts in the common language of the country. They must also become interested in and able to inform themselves upon the social, industrial and political ques-

tions which are fundamental to the progress and prosperity of a democracy. We are therefore confronted with the problem of giving instruction to a vast army of 7,000,000 illiterate adults in the fundamentals of an English education. The question therefore naturally arises, upon whom does the obligation rest of assuming the burden and responsibility of providing educational facilities for this great body of illiterates?

All questions related to and growing out of the immigration problem are national. The national Government controls every phase of the immigration question. It determines what aliens may be admitted to this country, the conditions upon which they may be admitted, and it also prescribes the basis upon which they may be naturalized and admitted to American citizenship. The whole problem of adult illiterates is therefore a national and not a state problem. The Government should therefore recognize the necessity of attacking this problem without further delay, and should enact such laws and provide such funds as are necessary to construct an organization and execute a plan which shall, within a reasonable period of time, wipe out adult illiteracy in this country. There should be immediate action without further delay or compromise in dealing with this problem.

Had Congress responded to the call of President Grant one-half century ago, and adopted the policy which he recommended, we should have no problem in adult illiteracy in this country today. Grant's vision enabled him to see the evils which would accumulate under the policy of the Nation admitting to its shores from year to year a large body of adult illiterates. Grant saw the wisdom of insisting that all foreigners, literate as well as illiterate, who came to this

country should be trained to acquire a usable knowledge of the English language. His recommendation to Congress was as follows:

The compulsory support of free school and the disfranchisement of all who can not read and write the English language, after a fixed probation, would meet my hearty approval. Foreigners coming to this country, who are educated in their own language, should acquire the requisite knowledge of ours during the necessary residence to obtain naturalization.

There is reason to believe that the national Government will provide funds within the next year to aid the states in the accomplishment of this work. The situation is one of such peril to the social and economic interests of each state that the several states should, in my judgment, adopt a definite policy in dealing with this subject. Each state should enter upon a specific and definite program contemplating the teaching of every person within her borders to read and write in English who can not at the present time read and write such language. The problem should be approached in a serious and earnest way and under a plan which contemplates that within a definite period of time, from five to ten years, for instance, adult illiteracy shall be practically eliminated.

We make the error of thinking that adult illiterates are to be found only in the great industrial centers where our foreign population generally resides. A careful analysis of the distribution of illiterates in the states where the greatest numbers are to be found will show that such illiterates are spreading into all parts of such states. For instance, there is not a county in the state of Pennsylvania in which illiterates are not to be found. The following table gives the population of each county in Pennsylvania and the number of illiterates:

County	Population	Illiterates	Tioga	87,118	855
Adams	34,588	447	Union	15,850	230
Allegheny	1,184,832	62,135	Venango	59,184	1,962
Armstrong	75,568	3,260	Warren	39,992	1,278
Beaver	111,621	7,076	Washington	189,000	13,368
Bedford	38,277	1,058	Wayne	27,435	875
Berks	200,854	5,855	Westmoreland	273,568	19,388
Blair	128,334	3,191	Wyoming	14,101	235
Bradford	52,157	966	York	144,521	2,291
Bucks	82,476	2,300			
Butler	77,270	2,207			
Cambria	197,839	13,266			
Cameron	6,297	169			
Carbon	62,565	6,405			
Centre	44,304	1,057			
Chester	115,120	5,123			
Clarion	36,170	607			
Clearfield	103,236	4,066			
Clinton	33,555	780			
Columbia	48,349	1,216			
Crawford	60,667	976			
Cumberland	58,578	765			
Dauphin	153,116	5,321			
Delaware	173,084	8,104			
Elk	34,981	1,167			
Erie	153,586	6,585			
Fayette	188,104	15,142			
Forest	7,477	179			
Franklin	62,275	895			
Fulton	9,617	184			
Greene	30,894	1,212			
Huntingdon	39,848	1,409			
Indiana	81,111	4,332			
Jefferson	62,104	2,344			
Juniata	14,464	159			
Lackawanna	286,311	22,015			
Lancaster	173,797	2,245			
Lawrence	85,545	5,416			
Lebanon	63,152	1,752			
Lehigh	148,101	5,859			
Luzerne	391,001	33,377			
Lycoming	83,100	1,418			
McKean	48,934	1,056			
Mercer	94,788	5,996			
Mifflin	31,439	646			
Monroe	24,295	582			
Montgomery	199,310	7,525			
Montour	14,080	636			
Northampton	153,506	11,841			
Northumberland	122,079	5,143			
Perry	22,875	323			
Philadelphia	1,823,158	79,125			
Pike	6,818	127			
Potter	21,089	460			
Schuylkill	217,754	15,094			
Snyder	17,129	322			
Somerset	82,112	4,599			
Sullivan	9,520	378			
Susquehanna	34,763	927			

The reason that efforts thus far made have not been attended with greater success is due in large measure to the failure to proceed, in dealing with the question, on a sound, rational plan. School authorities, many charitable, philanthropic, religious and civic associations in the various cities of the several states have done much toward developing a strong sentiment to support the movement to bring all illiterates within the influence of educational facilities. These interests, however, have not been working on a definite, coördinated plan, and in many cases their activities have not only overlapped but there has been a lack of harmonious action essential to any plan which may be made successful.

The plan to provide educational facilities for several hundred thousand adult illiterates in a state must be approached from a standpoint similar to that by which we provide educational facilities for children. We should have a census which gives the names, addresses and nationality of every illiterate. Each state should be divided into zones. The size of the zone should be determined by population and geographic conditions. A director should be placed in charge of each zone. He should have in his possession a census of the illiterates within his territory. He should be the coördinating power in that zone. A citizens' committee should be organized under his direction. The school authorities, the large industrial establishments, the civic organizations, labor organizations, agricultural organ-

izations, all of the various religious organizations and the press should be represented on that citizens' committee.

The entire work must, of course, be undertaken upon a purely non-partisan and non-sectarian basis. It should be upon such a straightforward, sound, American plan as to win the cordial coöperation of every interest in the community. The director of the zone should assign to each of these interests a specific and definite line of work. The machinery of the public school system already in existence should be utilized so far as may be possible. Day classes and evening classes should be organized in these schools. The instruction should be adapted to the needs of women as well as men. Schools should also be organized in industrial plants, and in many cases it will be found desirable to organize them in certain homes for the benefit of women. In other words, bring the illiterate to the schoolhouse whenever possible, and when that is not possible, take the schoolhouse to him by organizing a class where it will be possible to reach him.

A definite record should be made of every newcomer into the country who can not read and write the English language, and the name and address of such person should be placed in the possession of the zone director. This information may be made available at the ports of entry where immigration bureaus are established. There should be a compulsory statute requiring every new immigrant who can not read and write English to receive definite daily instruction until such immigrant is able intelligently to use the English language in the transaction of his affairs. This compulsory statute should be made to apply at least to all illiterate minors who are now in this country. Their employment in industry should be

conditioned upon their receiving daily instruction in the use of English until they have acquired its intelligent use.

Teachers who know the approach to adult aliens must be employed to give instruction. The usual successful teacher in the elementary or secondary school is not properly equipped to instruct aliens. Many of these teachers, however, are qualified for this service because of their large human sympathies, their maturity and their knowledge of and experience in social problems. Many others may be trained to render desirable service in this field. Special institutes, summer courses, extension courses in normal schools, colleges and universities may be organized under the direction of those who have had extensive experience in teaching aliens and by these means a body of properly trained teachers may be provided.

America should not underestimate the importance of this problem nor the stupendous task which she faces in its proper solution. The number of adult illiterates is equal to approximately one-fourth of the enrollment of all the public schools of the nation. The great majority of these men and women are capable of being developed into useful, law-abiding American citizens. The great majority of them desire to become such citizens. The great majority of them also are here because of their faith in the ideals of America and in the principles of human justice which they believe abide in this free land. America should meet them with a sympathetic attitude and with a spirit that shall leave no doubt in their minds as to our intent and purpose. If approached in this spirit, they may generally be shown that the opportunities they are seeking may be found and that the best approach to such opportunities is through their ability to make known their desires and

to transact their own affairs. The treatment accorded them must give them faith in America and Americans through dealings which bring them in actual contact with the social and business life of the community in which they reside. This treatment of all aliens on our part is essential if America is to succeed in attaining the end so devoutly desired, which was

expressed in the words of President Wilson when he said:

You can not become thorough Americans if you think of yourselves in groups. America does not consist of groups. A man who thinks of himself as belonging to a particular national group in America has not yet become an American. . . . America was created to unite mankind by those passions which lift.

The Political Education of the Immigrant

By TALCOTT WILLIAMS, LL.D.

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THE prime and perpetual difficulty in the political education of the immigrant is that he has, if an adult, already received a political education, such as it is, upon which he is certain to act. You can not do much in the way of education with most adults over twenty, except development in the line of the education already received. There is a glib notion afloat—held particularly in college settlements, by immigration officers and those who, having handled immigrants by the thousand or not at all, feel sure that they know something about them—that schooling can easily be given the newcomer after he arrives. Schooling can be given, but the immigrant can not be schooled except as the very best training opens his mind. Take Carl Schurz: if there ever lived a man who seemed likely to become a full American, it was he. He learned our tongue. In its diction and in its supple and effective use, he surpassed most men of note on the platform. He sought the field for his adopted land in war and he nobly served it in peace. He supported every reform. He fought with the beasts in our Ephesus, the Senate, full of men given to getting great personal gain. He had suffered and lost for

liberty in his own land. Yet when despotism came there, in Prussia triumphant, it had his heartiest support. For freedom crushed to earth in the new-born French Republic, he had neither pity nor mercy. The American instinct as to Europe, always for self-government, he could never get. He forgave Bismarck in the full tide of his oppression of Poland. He accepted the Kaiser—ate and swallowed the young Emperor whole. He led a multitude of Americans astray by his abject admiration of the last of the hereditary European despotisms. Does anyone have the slightest doubt that if Schurz had been alive he would have been on the side of Germany in August, 1914, that he would have been opposed to having the United States enter the Great War, and that he would have stood an excellent chance of placing himself so far in the wrong that retreat would have been difficult when we went in? So with lesser men, most of all with men who came from lands recently emancipated or still under dire oppression.

Even the sons and daughters of the immigrants are not easy to educate politically. I was in contact with many of them when the shadow of war drew near. They believed themselves to be

Americans in their heart of hearts; they held themselves to understand American institutions, to know the way they did work and, above all, the way they should work, far better than those whose ancestors had made these institutions and run them for three hundreds years. They all had "taken" courses in political science, but many of those who had taught them were little interested in showing where the American governing mechanism had worked well, and how much it had accomplished for the nation and for the world. These teachers were very much interested in showing how our Constitution should have been made if they had been consulted in time, how ill it had worked now and how much improved it would be if it could be re-drawn by a Federal Constitutional Convention, made up exclusively of professors of political science. This was great fun for the professor, but it was not particularly successful in imparting any practical political education to those who were just one generation removed from the barbarism, the darkness, the oppression, and, above all, the low moral standards of nearly all of Europe.

I found when war drew near that the teaching in political science which young men and women had received in some High Schools of New York City had done nothing to acquaint them with the supreme claim which the nation under American institutions had on the citizen when war comes upon the land and the loyal service due the majestic might and embattled will of the American people when, through its appointed agents, it draws the sword and mammon departs until victory is won. Yet when the call came, these youth nobly responded. None saw that inspiring change but saw anew the need of political education for the immigrant, the certainty that the second genera-

tion could be made over in the image of the true America and that this could best be done by penetrating the American home with the American language. At that great crisis, how great verse stirred youth.

The one concrete political education which can be successfully and effectively given the immigrant is a knowledge of our national tongue: the capacity to speak the language, to read it, to write it and what is still harder to secure, to understand it. In political action nothing can make up for this loss. Wherever there is in the United States a group of people who have not learned English, there is a dead spot and a non-conducting point in the nation. This is the first and most necessary step in political education and until it is taken, peril environs not only the immigrant in his political action, but the nation itself. This was true in the Colonial period; it remains true to this day.

Night schools have been organized as a remedy. For the self-sacrificing labor of the teachers in these schools, wherever they are, I have profound respect as a teacher, and deep gratitude as a citizen. I know no place where so much work is done with so sincere a desire to improve the citizenship of the United States as in these night schools and in college settlements. The difficulty is that attendance on both is voluntary. If you will go to the trouble in regard to any college settlement of finding out how large a population is within its radius of normal action, and how small a share visit it, you will realize that the college settlement, like the mission station abroad, unless those who work in it are singularly penetrating, actually takes hold of the lives of a very small fraction of the community with which it deals. The night schools of our cities in particular, in spite of the high devotion of those

who teach in them, are in most cases—in nearly all—poorly equipped, attendance is irregular and, after the first dash of enthusiasm, the work is slack except in the case of a few capable souls who overcome all obstacles. Massachusetts has taken the first step which looks toward compulsory education in these schools. In the end, if we are really to educate politically our future fellow citizens, the learning of American must be made compulsory. This must be secured by compulsory attendance and the schools themselves must be placed on an entirely new basis. The one great advantage which the original immigrants to the United States had was that they spoke English to begin with.

The conscious political education of the immigrant began in the cabin of the Mayflower. The Jamestown immigrants had discovered that it was awkward, expensive and insufficient to be governed from London. New Amsterdam immigrants made a like discovery as to old Amsterdam's supervision. From the first landing, every Latin immigrant suffered from being governed across the Atlantic. Latin immigrants, however, postponed action on this discovery for two centuries and they are still paying for their long and disastrous delay.

On the Mayflower, 102 immigrants faced this problem before they landed. Half of them were adult men. They met and agreed to govern themselves. To use an Australian phrase, unfortunately less popular there than half a century ago, "they cut the painter." In their "compact," those on the Mayflower accepted in theory the rule and authority "of our dread Soueraigne Lord King James"; but only as a means not an end, as presenting a sovereignty in whose name they could act, but their action was to be their own, free from control and direction. They

not only asserted the right to self-government, they exercised the right. They hung one of their own original members, a companion of the Mayflower, when he committed murder, and had been convicted of the same by a jury of his peers. They waited for no man to define their rights. They assumed them and acted under them; executed them and enforced them. They covenanted and combined themselves together "into a civill body politick." By "vertue hearof" they proposed "to anacte, constitute and frame such just and equall lawes, ordinances, acts, constitutions and offices from time to time as shall be thought most meete and convenient for ye generall good of ye Colonie."

This political self-education of the immigrant began the American ideal, principle and practice of self-government. The Plymouth Compact and Covenant laid the foundation of that government of the people, by the people and for the people whose lasting triumph was recorded in the Gettysburg address. From this seed sown in the cabin of the Mayflower, there succeeded step by step all that came after, until the Federal Union was achieved. Each colony contributed its share in turn, but the first conscious training in self-rule began in Plymouth as the self-conscious act of the Pilgrim.

The Pilgrim was able to achieve this political self-education because he was a Man of the Spirit. The little band of the Mayflower had for years thought much on the immediate spiritual relations of God and man. They believed in the Father of Spirits and they believed all His created spirits were equal under him, responsible, sovereign, self-governing. Their self-education came from what they were and not from what they did. The failure of the immigrant in self-government is due not

to what is about him of neglect and the failure of others to enlighten, educate and train him, but in his own failure to awake to his own spiritual equality, liberty and sovereignty. You can not make good this lack by mere studies, lessons and courses in political science. The majesty of the state must find and kindle a spiritual majesty in the soul of every citizen or the state itself will rest on the shifting sands of personal desire, personal profits and personal ends and when on such a house the rain descends, and the floods come and the winds blow and beat upon that house, it will fall and great will be the fall thereof.

This was as true in the days of the Pilgrims of Plymouth as it is today. They were not alone in hungering and thirsting in the wilderness for the manna of liberty and the strong meat of justice and self-rule through law. New York and Virginia had their rebellions, but while Captain Leisler began "for the security of the province" he ended with "an attempt to smuggle in wines," "did in a seditious manner stir up the meanest sort of the inhabitants and had the support of those that appeared in arms Drunk and cried out they disowned all manner of government." So Mr. Bacon of Bacon's Rebellion in Virginia was "a very hard drinker and it is reported that he dyed by imbibing or taking in two much brandy." There are still men, even on Manhattan Island, seeking to build government and carry on the political education of the immigrant by a like policy and a similar practice continued into our own day.

The quietism of the Friend and the pietism of the Mennonite in Pennsylvania worked evils as serious in the political education of the immigrant. They were not free indeed of "imbibing or taking in two much brandy"; but the passive submission of the Quaker, his readiness to bargain each year

for the legislation he desired and the isolation through language of Dunker, Mennonite and even Moravian, left each the easy prey of the venal legislation and boss control of Pennsylvania. It was long perpetuated by the descendants of immigrants who had the means and the readiness to buy profitable legislation of corporate advantage, aided by those isolated by tongue and come from an oppressive tradition. These conditions steadily improve and have already lost the open venal character of the past as education brings one tongue and one political consciousness to the state. An ignorant, immigrant population is still the stay of the political machine. The vote of the "Pennsylvania Dutch" led by George Leib first began the political machine of Pennsylvania in the first decade of the nineteenth century and in the same decade Tammany began on Manhattan Island. In New England, the Pilgrim, taught by his twelve years in Holland began the general education of the immigrant. The Hollander failed to profit by the examples of his own ancestry. The German immigrants from the Palatinate and the valley of the Rhine were not only set apart by that greatest of all obstacles to the education of the immigrant, a separate tongue, but the public schooling of Pennsylvania itself was late and inferior. The negro slave who furnished the labor of the South was cut off from all education save in manual training. The failure to educate this immigrant in any way and his deprivation of personal rights and personal liberty by a strained legal decision—the first but alas not the last to use American courts to narrow general rights instead of widening or defending them—laid the foundation of the political evils of the South today.

The fathers ate the sour grapes of ignorance, oppression and spiritual

quiescence and the children's teeth were set on edge. All the evils we have today from the lack of the political education of the immigrant have their seed and root in the colonial period just as the best of our history today is founded on the spiritual independence of the Pilgrim and Puritan in New England and the constitutional independence of the Virginian.

Each race, as we at once see, in the Colonial period brought forth the fruit of the political education of the immigrant each after its own kind. The Pilgrim, the Puritan, the various types of the English which filled New England had in England the political education of the dissenters, chiefly Separatists and Independents, with like groups. Each had shared the struggle for two centuries or more before leaving England of the trade guild, the burgess, the forty-shilling free-holder and the small landholder, now returning to his own again in England. This background led in due order to the New England town-meeting and the General Court—with an emphasis on the General—and an inheritance of the political opinion which made Cambridge University the home of causes, still living in America, and Oxford, the home of causes long lost even in England. Virginia had a larger proportion of those who by lineage, near or distant, represented the class struggle of the Baron at Runnymede. This early victory—at the very period when the immigrants to New England were receiving the political education in England which drove them to a new schooling in the new world—shaped in 1628 the first Bill of Rights (3 Charles I. c. 1). This broadened in sixty years to the enactment of 1689 (I William & Mary, sess. 2 c. 2). Exactly as the impulse to self-rule gave the Pilgrim Covenant, so the historic Bill of Rights which has eclipsed the earlier statute of Charles

laid the foundations of our American Constitutional restrictions on arbitrary power as first built upon by Virginians in our Constitution.

The political education of the early American immigrants in the seventeenth century went on apace in the eighteenth century because of their early training for four centuries from 1215. The German immigration to Pennsylvania, made up in a distressingly large fraction of those *adscripti glebae*, had no such hinterland and remains docile and submissive. The Dutch immigration had a like stability and is well illustrated in the century long Democratic allegiance of a tract like Schoharie County. From this tract, Dutch Schoharie, Albany, Rensselaer and Columbia Counties, came Van Buren to form as a leader the connecting link between the early Dutch democracy of New York State and the Irish democracy which has so often dominated the last century of New York State democracy.

The Irish, when they came to this country, driven out by the potato famine, were at the clan or tribal stage of development and they organized New York City on a tribal basis. In six years, 1847-1852, over 1,000,000 Irish came to the United States. When I was exploring as a young reporter, twenty-five years later, the political jungle of New York City, I was struck at the resemblance between the political organization of Tammany and the tribal conditions I had seen as a boy in Kurdistan and the Arab marches of Mesopotamia. The chiefs were much alike, often able and always heavy-handed. There were the same uncertain and hostile boundaries between tribes. "Better not say you have been here, my boy," was one kindly warning, "or the Far-downers in the next ward may put a head on you." A predatory atmosphere was

all about. There were groups of tenements all of whose inmates came from some one district in Ireland and feuds that went back to the Norman Pale were preserved. Irish was still heard. Tammany educated the Irish vote, but it was tribal Ireland which reorganized on a tribal basis the secret society Burr organized and Van Buren used.

The next immigration was the German vote—1848+, docile by nature, however republican in inspiration and their political organization turned on vereins and bunds innumerable which half a century later reorganized in a nation-wide federation so as to aid German despotism and have a Hohenzollern at its head in Prince Henry. The Italian immigration drawn in large part from the two Sicilies, one of the most murder-infected areas in Europe, was followed by a rapid increase in the murder rate of New York City. Educated by the Mafia at home, the Black Hand grew as the Italian immigration increased. With little and late tradition of voting in his early home before 1870, the Italian needed time to be educated to the ballot.

Slav and Magyar had not even shared the traditions of Rome and knew no Roman institutions until the sixth or seventh century. They were still farther removed from democratic institutions. They had never in their whole descent been, in any proper sense of the word, self-governing, save through an upper class. The Jews who came here knew little of civil organization except in that admirable school of self-sacrifice and self-rule, the Synagogue. This was far more of self-government than had the Slavs of Central Europe about them or any Christians in the East of either the Latin or the Greek rite.

Exactly as the first advantage in the political education of the seventeenth century immigrant lay in the political

estate which was probated in the cabin of the Mayflower as the heritage of 105,000,000 today, so the past political education of the great mass of the immigrants of the twentieth century is the great obstacle to their political education now. With each successive wave of immigration we receive those who are less and less educated in any knowledge or experience of self-government. This is the full, convincing and sufficient reason why we must address ourselves to the exclusion of the illiterate and provide for the compulsory education in political knowledge of those who come in the future.

This compulsory education can not at best be more than a way prepared, by which the immigrant will be able to rise to the apprehension of the true America to which he has come—an America of standards of living as well as of principles of liberty; a land which in nearly all its states, save a few in the South, and in all its national feeling, regards the education of the child as more important than the work of the child in supporting its parents; a country which has in its constitution provided for the consideration of any change which anyone proposes in the fundamental law and by consequence in the statutes and administration of the Republic, provided these changes are sought by peaceful means and, at last, receive the approval, by vote, of a majority of Americans.

These fundamental concepts of social and political progress are not nearly as fully comprehended as they should be by those who are born in the United States and educated in its schools. They can never be acquired by the immigrant unless the immigrant has mastered the language of the United States. He can not be at home in this country, neither can he understand it so long as he reads only newspapers and books in a language not American.

His ideas and education will always be non-American and too often anti-American, if he reads only a foreign press, however sincerely its editors may desire it to be patriotic and American. The language bar will be the most serious difficulty in learning his new home. He will accept orders from above which make him the ready prey of the political machine because he has been schooled to obedience in the land of his birth. The newspaper in his own language he needs for many reasons; but American he will not be until he speaks American. Here his effective political education must begin. This will enable him to secure the American view of the household which does not look to the support of the family by the children as soon as they can work. Yet when the law shifts the year at which they can work to fourteen, the immigrant in a large number of cases still continues to demand the labor of the child after that date. This is also true of many American families, particularly in rural tracts where the high school is distant and the labor of the farm calls for the child. Both groups are wrong, but work begun at fourteen by the child of the immigrant in the city, in the factory village or in the swarming dwellings of an iron and steel plant is, for obvious reasons, a more serious peril to the full Americanization of the child than labor on a farm, north or south, east or west.

✓ The child of foreign parents suffers the more, first and chiefly, because the unconscious training and education in American institutions and American life go on for the child on our American farm more efficiently than in an immigrant tenement. Where the farm district is covered by Swedes, Germans or other immigrants speaking their original tongues and in two western states training their children in schools using these tongues, the child is not

Americanized as the revelations of the past five years have shown.

Farm or factory, meadow or mine, country or city, it is always true that the immigrant who continues to use his own original language is barred from full acquaintance with his new home. He is unable to read sanitary notices and warnings and he spreads disease. He causes accidents because he can not read safety signs. He never learns American law and tracking crime or criminal becomes a thousand-fold more difficult where any foreign quarter continues the use of its home tongue. The duty of a citizen can not be fully learned. All politics are filtered through alien channels, whether newspapers or politicians.

This is practical treason to American ideals, aims, principles and allegiances. No country can be united when it permits this disunion of tongues. For those born abroad, this barrier to a united land in 1910 included 2,930,373 persons over ten years of age speaking no English and it had grown one and a half fold (142.6 per cent) in ten years from 1900 to 1910. The number is probably 4,000,000 in 1920. This share of foreign born who could not speak English was in 1920 one-fifth of the foreign born over ten years in the cities and one-quarter of the foreign born of this age in rural communities. In 1920, New York had 421,951 who were ten and knew no English, Chicago 184,884 and Philadelphia 68,228. From 1900 to 1910, New York had nearly doubled this undigested mass, Chicago had seen it grow two and a half fold and Philadelphia nearly trebled it. In New Mexico, a third of the native population speaks only Spanish. The political education of 14,000,000 of foreign born in the United States can never be accomplished when over a fifth of them know not American. Until this is

cured, the foreign born will remain by nature foreign born. Sentiment may plead for the memory of the country of origin. Material profit may ask for cheap labor. All the experience of the past and all the facts of the present prove the peril of this alien, undigested mass, indigestible until it speaks English.

The longer reform is postponed, the worse the situation will be. The obstacles are many. The mere number daunts any attempt to attack this evil thus far. The non-English speaking horde steadily pours in. Treaties are in the way, made when this evil did not exist and our immigration was in larger measure from the United King-

dom. These treaties must be denounced and laid aside for all. The cost of teaching the tongue of the immigrant's new home can not be met by state expenditure. The federal government alone has the means and the power to act over the whole country. If American be required within a reasonable period under gain of deportation, the evil will first diminish and then disappear. The federal government working through state schools can accomplish the task in a decade. Unless it is taken up, crime will increase, ill conditions grow and our politics will be cursed in the future as in the past by non-American speaking citizens and foreigners.

ELEMENTS IN AN IMMIGRATION POLICY FOR THE UNITED STATES

Assimilation and Governmental Regulation

By FRANK JULIAN WARNE, PH.D.¹

Washington, D. C.

AUTHENTIC reports from Europe that emigrants by the hundreds of thousands are crowding all the embarkation ports and are overflowing all shipping facilities in their mad rush to the United States, coupled with the steady increase in the number of foreign-born arrivals on our shores since the close of the European War,² are evidence that the tide of immigration is setting in once more to the shores of the United States and that the American people are again confronted with this great national problem. But few realize the magnitude this immigrant invasion has assumed and still fewer appreciate its far-reaching effects upon the American people and nation, racially, socially, industrially and institutionally. A brief statistical survey of this tide as it has washed upon our shores the past one hundred years will assist in a comprehension of the tremendous increase in its volume prior to its temporary interruption by the European War.

A pictorial bird's eye view of this inflow of foreign born is given in the

¹ Author of: *The Slav Invasion and the Mine Workers* (1904), *The Coal Mine Workers* (1905), *Immigration and the Southern States* (1905), *The Immigrant Invasion* (1913), *Railway Operation and Finance* (1913), *Intercompany Ownership and Interlocking Directorates of the Railroads of the United States* (1914), *The Tide of Immigration* (1916), *Warne's Book of Charts* (1917), *Warne's Elementary Course in Cartography* (1917), *Cartography in Ten Lessons* (1919), *Industrial Relations* (1920), *The Workers at War* (1920).—THE EDITOR.

² More than 430,000 aliens arrived in the United States during the six months from January to July, 1920.

accompanying chart, reproduced from Warne's *Book of Charts* and which is based upon statistics from the Bureau of Immigration of the United States Department of Labor. In the past one hundred years this immigration has comprised more than 33,200,000 human beings. From an inflow of less than 129,000 for the ten years following 1820 it increased to more than 8,200,000 for the decade ending with 1909. The war period greatly reduced this volume but even including those four years immigration for the decade closing with 1919 gave an inflow of more than 6,347,000. Here is an increase in the one hundred years from a decennial yearly average of 12,900 to nearly 635,000. The largest ten-year immigration was from 1905 to 1914, its volume exceeding 10,100,000. Of the total of more than 33,200,000 immigrants as many as 26,200,000, or 79 per cent, came during the past fifty years, and as great a proportion as 30 per cent of the total, or 10,122,000, during the ten years prior to the beginning of the European War.

The temporary effects of the war upon the volume of immigration are indicated in the fact that while it reached nearly 5,175,000, or a yearly average of more than 1,000,000, for the five years immediately preceding, it decreased to 1,173,000, or an average inflow of only 235,000, for the five years following 1914. This is nearly 36,000 less than that for the single year immediately preceding the beginning of hostilities. The lowest

number of arrivals in any one of these five years was 110,618 in 1918, the smallest yearly immigration since 1862 just preceding the beginning of the Civil War.

Our total immigration of more than 33,200,000 and the yearly average by decades during the past one hundred years are summarized in the following table. These figures are for immigrant aliens only and do not include non-immigrant arrivals; that is, those recorded as coming here for temporary purposes only and not for permanent residence. If the latter were included the totals would, of course, be much larger, especially for the more recent years before the war.

DECENNIAL IMMIGRATION THE PAST ONE
HUNDRED YEARS

Decade	Total Immigration	Yearly Average for Decade
1820-1829	128,502	12,850
1830-1839	538,381	53,838
1840-1849	1,427,337	142,734
1850-1859	2,747,896	274,790
1860-1869	2,123,219	212,322
1870-1879	2,742,187	274,214
1880-1889	5,248,568	524,857
1890-1899	3,694,294	369,429
1900-1909	8,202,388	820,239
1910-1919	6,347,380	634,738

Not all the 33,200,000 immigrants are in the United States at the present time. Many have died and still others have emigrated. Our present foreign-born population is not yet known, the Bureau of the Census not having completed its tabulation of the last enumeration, but in 1910 there was a total foreign-born population in the United States of approximately 13,500,000 out of a total immigration down to that time of about 26,853,000.

While the figures in the preceding table impress one with the magnitude of the volume of immigration, at the same time they smooth out the differ-

ences in the inflow from year to year and at different periods of time. By studying the yearly figures in the table of the accompanying chart and relating them to events of industrial or economic history, we are able to understand what is probably the most significant of all the operating forces or influences at work behind this great movement of population across the Atlantic.

For illustration, the number of immigrant arrivals strikingly decreased from nearly 428,000 in 1854 to 200,877 the following year, a decrease of more than one-half. This falling off reflected the effects of the greatest financial panic ever experienced in the history of the United States up to that time. The ensuing industrial depression was followed closely by the Civil War, and it was not until 1873 that the yearly inflow again reached as large a volume, the number being nearly 460,000. The year 1873 marks another panic, and a striking decrease the following years in the number of alien arrivals is again recorded. Beginning in the early eighties and accompanying increasing prosperity in all of our industries, the volume of immigration steadily increased until this tendency was interrupted by the panic of 1893. The financial disturbance in this country in 1907 was similarly followed by a striking decrease in immigration.

This close relation between industrial depression and decrease in immigration on the one hand and industrial prosperity and increase in immigration on the other is the economic explanation of the periodic waves of immigration that have washed our shores since 1820, and particularly so in more recent years. It points unmistakably to the economic characteristics of this great movement of population and to the fact that by far the greater part of it is due to the indus-

trial demand in the United States for labor. According to the 1914 Annual Report of the Commissioner-General of Immigration:

It is interesting to note the successive periodical increases, receding less each time coincident with the periods of financial depression, only to reach to a greater height with the next ascending wave. . . . The three periods of depression following 1857, 1873, and 1893 stand out prominently, and the 1907 financial and commercial depression caused the wave line to drop to a marked degree. This periodical rise and fall well represents the relative prosperity of the country.

This industrial demand for labor which is met most largely by immigration is for the rough, unskilled, or "common" kind, nearly 60 per cent of all incoming aliens being males without trained skill and lacking even the rudiments of an education.

This raises a hundred and one questions that in recent years have come to vex the American people. Can they continue to build a safe democracy not out of such material but out of too great a supply of such material?

Assimilation of the immigrant into American life in all its aspects—and no other consummation of the presence among us of the foreign born should be entertained—rests primarily upon the opportunity for continuous employment in a gainful occupation at a wage sufficient at least to supply him and those dependent upon him with the necessities for physical existence. A needy alien in the United States out of work is not only retarded in assimilation but he also hinders or obstructs the operation of the forces of assimilation themselves. With continuous employment at a living wage the typical immigrant becomes an asset to all concerned and not a liability either to himself or to other workers or to the American people. Only that number

of immigrants, then, should be permitted to enter at any one time for which there is opportunity for such employment without depriving those already here, foreign born as well as native, of similar opportunity. The facts as to the existence of such a condition can be fairly accurately ascertained, as I have already suggested before the American Academy of Political and Social Science and the National Civic Federation, by the organization of federal governmental machinery for measuring the anticipated demand of our industries for unskilled workers at the prevailing American rate of wages.

This is the theory of immigration control upon which is based the principle of governmental regulation that will restrict it within the limits of an assimilative supply. Its foundation rests upon that view of American life which believes that the alien must become at the earliest possible moment an indistinguishable part of American society. It is not superficial sentimentality, neither is it misguided or humbug philanthropy; it is not based on economic exploitation of the alien by emphasizing his contribution to production. It is fundamentally humanitarian in that it seeks the ultimate welfare of both the immigrant and the American people.

This view it is now necessary to emphasize because the effects flowing out of the European War have brought to public attention with startling suddenness, like the rapid shifting of scenes on a moving-picture screen, aspects of immigration which heretofore have been regarded with unruffled complacency. We have been made conscious of the existence among us, in spirit as well as in name, of the hyphenated American—of the German-American, the Italian-American, and so on. We have found that our much

boasted forces for assimilating the foreign-born element have not been working as efficaciously as our optimistic ignorance of the facts had led us to believe. We have learned through sad experience that these forces need intelligent attention and direction; we have been taught that they must be given greater vigor if we are to become a homogeneous people and thus escape the danger of an internal division among ourselves. Of even greater importance, possibly, is the fact that there are millions of alien subjects among us who have not become and who do not intend to become American citizens.

In consequence of all this, as a nation and as a people we must now consciously and intelligently face a wholly new group of problems arising out of immigration. These problems are inextricably interwoven into our national destiny; they are a part of the working out of our democratic institutions; their solution depends upon our powers of economic and social assimilation. For many years to come the American people should solve every problem of immigration from the point of view of its relation to or its effect upon this assimilative ability. Our eyes should henceforth be focused upon this one solution; all other aspects of immigration should be made subordinate to it. It should consciously become of the very greatest importance to us as a people that the immigrants whom we welcome into our society to participate in the blessings and duties of our institutions should be an integral part of that society and not foreign to it. This view safeguards the permanent welfare of the alien who comes here to become a homogeneous part of us as well as the welfare of the people of the United States themselves.

There is abundant evidence that this view is coming to be that of the American people. It is reflected in the pass-

age by Congress of the literacy test over the Presidential veto and in the present activities of innumerable societies and organizations which are being directed towards the Americanization of the alien. Manufacturers' associations, labor unions, religious bodies, societies of foreign born, boards of education, state and city Americanization departments or boards, the War and Interior Departments of the National Government, women's clubs, colleges and universities, libraries, community centers and service organizations, civic committees, the Boy Scouts of America, the Young Men's and Young Women's Christian Associations, Knights of Columbus, American Red Cross, and a host of similar organizations are now engaged in this laudable and very necessary work if America is to mean to the immigrant and the immigrant is to mean to America all that is necessary and vital to a homogeneous people. Recently a four days' session of an Americanization Conference was held in Washington under the auspices of the federal Department of the Interior.

While there may be differences as to the meaning of Americanization and disputes as to the best means to be employed to attain it, the principle of assimilation should be the fundamental rule of measurement to be applied to immigration generally as well as to any particular racial group within the immigration stream. It should be the basis of any additional legislation on immigration by Congress. Our more than one hundred years' experience of the effects of immigration has taught us the racial groups that do not assimilate American customs and do not become a homogeneous part of our population. Then, again, we know without question that if those who do assimilate more or less readily under favorable conditions are permitted to

enter in too great a volume they are certain to disarrange the assimilating process. If the volume of total immigration is likely at any time to become so large as to make ineffective our forces of assimilation, then this volume

should be decreased by restrictive measures; if the elements comprising any particular group or race, no matter how few in number relatively, are unassimilable into our American life then these too should be restricted.

The Industrial Significance of Immigration

By W. JETT LAUCK¹

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DURING President Roosevelt's administration the Congress established an Immigration Commission and provided it liberally with funds so that it might make a satisfactory inquiry into all phases of the immigration problem. It was composed of three members selected from each branch of the Congress, and three representatives of the general public named by the President. This body began its work in 1907 and submitted its voluminous report three years later. The original investigation which was conducted as to the economic aspects of immigration included within its scope all the basic industries of the country. All phases of the industrial significance of immigration were exhaustively studied and analyzed. The final conclusions and recommendations which were based on this inquiry may be said to be representative and entirely acceptable for the period immediately preceding the war. They were, in brief, as follows:

1. While the American people, as in the past, welcome the oppressed of other lands, care should be taken that immigration be such both in quality and quantity so as not to make too difficult the process of assimilation.

2. Since the existing law and further special legislation recommended in this re-

¹Author of: *The Immigration Problem* (with Prof. J. W. Jenks) (1911); *Reports of U. S. Immigration Commission*, Vols. IV-XVIII,—The Editor.

port deal with the physically and morally unfit, further general legislation concerning the admission of aliens should be based primarily upon economic or business considerations touching the prosperity and economic well-being of our people.

3. The measure of the rational, healthy development of a country is not the extent of its investment of capital, its output of products, or its exports and imports, unless there is a corresponding economic opportunity afforded to the citizen dependent upon employment for his material, mental and moral development.

4. The development of business may be brought about by means which lower the standard of living of the wage-earners. A slow expansion of industry which would permit the adaption and assimilation of the incoming labor supply is preferable to a very rapid industrial expansion which results in the immigration of laborers of low standards and efficiency, who imperil the American standard of wages and conditions of employment.

* * * * *

8. The investigations of the Commission show an oversupply of unskilled labor in basic industries to an extent which indicates an oversupply of unskilled labor in the industries of the country as a whole, a condition which demands legislation restricting the further admission of such unskilled labor.

It is desirable in making the restriction that—

(a) A sufficient number be debarred to produce a marked effect upon the present supply of unskilled labor.

(b) So far as possible, the aliens excluded should be those who come to this country with no intention to become American citizens or even to maintain a permanent residence here, but merely to save enough, by the adoption, if necessary, of low standards of living, to return permanently to their own home country. Such persons are usually men unaccompanied by wives and children.

(c) So far as possible the aliens excluded should also be those who, by reason of their personal qualities or habits, would least readily be assimilated or would make the least desirable citizens.

In considering the bearing of immigration on industrial conditions and relations, the broad, fundamental principles enunciated by the Immigration Commission are still worthy of acceptance without reservation. The actual conditions which it found before the war do not exist at present, but the dominant tendency is toward a revival of these conditions. Whatever our constructive program for immigration may be, it should, above everything else, provide measures for the prevention of the development of such industrial conditions as unrestricted immigration had produced before the outbreak of hostilities in Europe in 1914.

THE EFFECTS OF THE WAR

During the four years of the war immigration practically ceased as compared with the prewar period. It has been calculated that if immigration had continued at the same rate during the five years beginning July 1, 1914, as it had been during the five years preceding that date, a total of 6,316,425 newcomers would have entered the United States as contrasted with actual arrivals to the number of only 1,172,679. When the net immigration is considered—the excess of immigrant arrivals over aliens leaving the country—the small accretion to our population and working forces during the

war period becomes even more apparent. During the five fiscal years, beginning with 1914 and ending with 1919, the net immigration was only 431,884, as against 3,316,146 during the five years preceding the war.¹

This decline in the annual addition to our labor supply occurred in the face of an unprecedented industrial expansion to meet the requirements of the war and when the working forces of our mines, mills and factories were being reduced to supply men for our fighting forces. As a consequence, the excess in the labor supply quickly disappeared and finally the demand outran the supply. Through the attempted standardization of wages and working conditions by the government procurement agencies, recent immigrant workmen were arbitrarily placed on the same basis as the native born. Their earning power increased. A permanent interest in the industries in which they worked and in the communities in which they lived was aroused by pronounced efforts towards their industrial assimilation and general Americanization which had hitherto been entirely lacking. Those who were called to the colors were taught to speak and write English and were thrown into daily contact with native Americans. Labor unions during the war period also successfully organized and brought to a practical belief in their tenets an unprecedented number of foreign-born workmen, as is shown by the growth in the textile, clothing, mining, iron and steel and other unions, and the part played by the immigrant workmen in the recent steel strike. In may be said in brief that the war period made possible a large measure of industrial assimilation of the recent immigrant workers. At the time of the signing of the Armistice, organized

¹*Immigration and the Labor Supply*, by F. Leslie Hayford, Dupont Magazine, August, 1920.

labor, and the American wage-earners in general, had attained a position where they were exerting a far-reaching influence upon the foreign-born workers. The immigrants already resident here had ceased to be a menace to the aspirations of trade unionists, or to American standards of work and compensation.

THE POST-WAR PERIOD

During the two years which have elapsed since the cessation of hostilities this situation has entirely changed. Early in 1919 an exodus of foreign-born workmen began. Great numbers who had been debarred from communication with their home countries for several years were anxious to return to renew relations with their families and friends. Others wished to take the savings which they had accumulated during the war and purchase farms, homes or businesses, under the advantageous conditions offered in their devastated or impoverished home countries. Still others who elected to remain in this country used their savings to send for their wives, children or relatives. On the other hand, the people of Europe were turning their faces towards America as the hope of escape from oppressive taxes, unsatisfactory political conditions, or as the means of repairing the losses which they had suffered during the war. The net result was that, immediately following the Armistice, immigration began to grow in volume, but for many months the incoming tide was offset by the unprecedented number of departures of alien immigrants who had been here before the war, and the net gain in population was small. Moreover, the new arrivals consisted of an unusually large proportion of women and children, and as a consequence, no important additions were made to our skilled or unskilled labor forces.

Not until the beginning of the present year was there any noteworthy gain in arrivals over departures. For the entire fiscal year ending June 30, 1920, the excess of immigrant aliens admitted over immigrant aliens departing was only 141,686. The net gain in immigrant males was slightly less than 10,000, while the excess of female arrivals over departures was more than 150,000. During the past six months, however, there has been a steady growth of immigration which has overtaxed the government's facilities for handling the new arrivals, and which indicates a volume of immigration which will surpass all prewar records. The most significant aspect of the situation also consists in the reports from abroad as to what the future developments will be unless measures are taken by this country to restrict the incoming tide. Steerage accommodations are booked for months ahead, thousands of others from the countries of southern and eastern Europe are reported to be seeking passage, and the peoples of central Europe are stated to be awaiting the formal arrangement of peace and the removal of the existing barriers to embark for this country in unprecedented numbers.

Since the signing of the Armistice, discussion of the immigration question has passed through two distinct phases. The first centered around an agitation for the encouragement of immigration to replenish the unskilled labor supply which had been depleted during the war and by the unusual exodus of foreign-born workmen after the war. Estimates as to the labor needs of the country as put forward by the various interested persons and organizations ranged between three and four million unskilled workmen. Measures have been taken to encourage immigration and educational ef-

forts have been made to persuade immigrant workmen already resident here that their real interests would be best subserved by permanent residence in the United States and not by returning to their home countries. These activities have evidently arisen from the belief of certain groups of large employers that in immigration not only lies the way for further industrial expansion but also for weakening the power of labor organizations and in destroying the ascendancy which wage-earners in general had secured from the war-time curtailment of the labor supply.

In the face of these conditions, labor until recently has appeared indifferent and inert. The increasing volume of immigration during the past few months, however, the rapid development of unemployment and the widespread propaganda which is being conducted by certain interests for an alleged open shop, has recently aroused the labor organizations to strong protests and to the demand for legislative action. The general recommendation has been made that the Congress should absolutely exclude all forms of immigration for a period of time sufficient for the formulation of a permanent policy which would permit the industrial assimilation according to American standards of the incoming immigrant labor supply. Thus far no specific or detailed proposals as to a permanent policy have been submitted. The general impression seems to be that the present session of the Congress, because of the pressure of fiscal matters, will not have time to prepare immigration legislation, and, pending real constructive action, temporary measures for restriction or absolute exclusion should be adopted.

The existing situation is undoubtedly fraught with the greatest significance, not only from the standpoint

of the relations between capital and labor, but also from the public point of view. Although the public is interested in the proper recruiting of our labor supply, the continuance of the present flow of immigration in the face of the existing business depression will lead to destitution and suffering in our industrial communities and in a large number of foreign-born workmen becoming public charges as was the case during the latter half of 1907 and the winter of 1908. Even if unemployment were not developing, because of the absolute absence of housing facilities, deplorable congestion, unsanitary living conditions and general unwholesome conditions in industrial localities would inevitably follow a sudden influx of immigrants at this time. Our educational and other facilities for the Americanization of the newcomers from abroad are also woefully lacking. There is also the political danger from extreme, revolutionary agitation, which will be intensified if industrial conditions do not improve.

The menace to labor is acute and immediate. Unrestricted immigration will mean an oversupply of labor and the danger of a lowering of standards of work and compensation. What is of greater significance, it will make possible the weakening of labor organizations in general, and the probable disruption of unionism, as it has done in the past in certain sections of our basic industries, as in coal-mining, iron and steel, and textile manufacturing, where great masses of immigrant workmen can be used with practically no previous training or experience. Unrestricted immigration also holds forth the danger of the destruction of an intelligent, constructive, evolutionary control of the labor movement, and the substitution for the present liberal, but sound, leadership of organized labor of a revolutionary and impractical régime.

If industrial conditions continue unfavorable, the immigrant workmen who have already either directly or indirectly been brought under the influence of extreme economic doctrines will undoubtedly become receptive to the teachings of revolutionary agitators, not only from the standpoint of the industrial system, but also from the point of view of the control and direction of the labor movement itself.

The greatest danger to the public and to the sound and intelligent prosperity of business and industry at the present time is to be found in the misguided ideas of certain groups of large employing interests, such as those typified by Mr. Gary of the Steel Corporation, and the advocates of the so-called "open shop movement." Their attitude and activities can only be charitably explained by the statement that they are entirely lacking in a real intelligent insight into present-day tendencies and the real elements of an enlightened industrial statemanship, for otherwise the conclusion must be reached that they are insincere and sinister. They may hope through the artificial stimulation of immigration and the development of an oversupply of labor, possibly to bring around a temporary reduction in wages and an impairment of existing standards of work. They can not look forward, however, to a permanent weakening of unionism, for their own activities will either strengthen unionism or entirely destroy unionism, and in bringing about the impairment of organized labor, as it is now controlled and directed, Mr. Gary and his associates will encompass their own destruction. From the standpoint of the stockholders of the Steel Corporation, and other financial interests which they represent, their last stage will be worse than present conditions. As a matter of fact, they will, if successful in their

efforts, have ignorantly committed financial and industrial suicide. This conclusion may be demonstrated briefly by what will undoubtedly happen, if immigration is unrestricted, in the event of another strike in the coal-mining or the steel industries.

The strength of labor in the recent steel strike was due to the fact that the Steel Corporation and other companies could not draw upon a labor reserve to take the place of the strikers, for no such excess supply existed. The evident intention of the steel producers and the advocates of the alleged open shop is to have through immigration such a labor reserve available in the event of future strikes. The significant point to bear in mind in this connection, however, is that this excess of immigrant labor in its psychological and political characteristics is entirely different from what it was before the war. If it is recruited from southern and eastern Europe, it will be permeated with the doctrines of revolutionary and communistic socialism. If it comes from northern and western Europe and Great Britain, it will either be strong and firm in its trade union tenets or be composed of the advocates of state socialism. If the latter groups of foreign-born workmen predominated, there would be nothing to fear, for it would mean nothing more than the unionization of our industries upon the basis of standards and principles which have received the sanction of the enlightened elements of the leading industrial and commercial nations. The indications are, however, that the predominating elements will be from the more radical localities of southern and eastern Europe. From their own standpoint, Mr. Gary and his associates, as a result of their activities, therefore, stand to lose in either event, but the menace to the public consists in the fact that

they are being exposed to tremendous material losses and to the impairment of our fundamental democratic institutions, through the misguided idea that the method of achieving business and industrial prosperity is to stimulate immigration and destroy or weaken existing labor organizations.

An intelligent and patriotic industrial statesmanship as regards immigration at the present time would base its method of procedure upon the recognition and strengthening of legitimate labor organizations in the same enlightened way as was done by the federal government during the war period. This would stimulate labor to be a coöperative and not an antagonistic factor in industry. With this as a starting point, through conference and discussion under governmental auspices, labor and capital could agree as to a policy towards immigration which would conserve the public interest, maintain trade-union wages and standards, and make possible a wholesome development and expansion in industry. This is what should be done, and our experience during the war in the control and distribution of the labor supply shows that it is entirely practi-

cable and desirable. It assumes that labor is not a commodity or an article of commerce and that it has the right to collective bargaining and collective recognition.

From present tendencies, however, there is no indication that such a policy will be even considered. There should be undoubtedly, however, a temporary control or exclusion of immigrants at once until the Congress has the time to consider the question exhaustively. When it does have the opportunity for permanent legislation, the most practicable as well as the most possible general principle or proposal which has thus far been advocated is to restrict immigration on a percentage basis, a certain proportion of each race or people to be admitted to the country each year on the basis of the numbers of such races or peoples already resident in the United States, as shown by the latest census returns. The larger proportions of our newcomers would thus be restricted to the peoples of northern and western Europe and Great Britain and would be more nearly akin to us in their political institutions and ideals and their industrial and social aspirations.

Immigration and the World War

By PRESCOTT F. HALL¹

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THE World War verified at least two things about immigration which had been previously asserted by experts, but doubted or ignored by the public. The latter knows very little about anthropology or the history of various past migrations; and its opinions are largely influenced by its local experience and by the articles and

news items in the newspapers, most of which are inspired by various interests, and which give usually a narrow and immediate rather than a long range point of view.

The first point proved by the war was that the immigration of a million aliens a year is not necessary to sustain the industries of this country. During the war, there was practically no immigration, and at the same time millions

¹ Author of: *Immigration and Its Effects on the United States* (1906, 1908).

of men were taken out of industry for the army and navy. It is true that production in many lines was curtailed; but in many others it was vastly extended. It is also true that to attract workers to the expanding trades money wages, and in some cases real wages, were sharply advanced. But, in the long run, high wages are a good thing for a country if a fair day's work is given for them. If there had been a great general shortage of labor as a result of the war there would not even now be requests to the Division of Distribution of the Bureau of Immigration to stop sending aliens into various localities. Undoubtedly there was, for a time, a shortage of workers in certain places and certain industries. The newspaper reports of this were, however, undoubtedly exaggerated. We must remember that the ideal condition, from the point of view of some employers of cheap labor, is to have two men waiting for every job, in order to keep down wages. Such a condition results in an immense amount of unemployment and misery, and shows that labor which is economically cheap for the employer is seldom socially cheap for the community.

The second point demonstrated by the war, and the most important one, was in regard to assimilation. A great deal of nonsense had been preached and swallowed whole by the people, to the effect that environment is all important and heredity of little account, in considering the effects of immigration. That falsest of all shibboleths "the melting-pot" had hypnotized statesmen and legislators. That inversion of Darwin's real teaching, which pronounced that survival indicated fitness for things other than mere survival, had permeated the public mind and made it careless of current changes and of the future.

Down to 1860, as Eliot Norton

pointed out in *THE ANNALS*,¹ the United States had begun to develop a definite national character based on well-known Nordic traits. The colonial population had consisted of picked specimens of Nordic races. The Irish immigration of 1846 contributed further Nordic strains; and, what is important to observe, the German emigration of 1848 was also Nordic, whereas the more recent German immigrants are largely Alpine. Things having gone so well down to 1860, the policy of the "open door" became fixed, in spite of the warnings of Washington, Jefferson, Adams, Madison and Franklin as to the danger of unguarded gates.

From 1860 and especially after 1880, the whole situation changed. In 1914, nearly three-quarters of all alien immigrants were Alpine, Mediterranean or Asiatic and only one-quarter Nordic. In other words, 863 thousand of those coming in that year were from races with a different historic background, different customs and different ideals. This change had been proceeding with increasing intensity for forty years.

Now the temperamental optimist, the social worker and the average citizen had insisted that in the new environment of America the alien rapidly changed into a "good American." When the evidence did not entirely bear this out, some said that although the alien might be assimilating us instead of our assimilating him, nevertheless this was a good thing, and that the mixture of conflicting types was a benefit.

The World War completely knocked out these cheerful conclusions by revealing that the superficial changes constituting "Americanization" were entirely inadequate to affect the hereditary tendencies of generations; and that a mixture of conflicting types and opinions seriously affected the capacity

¹ Vol. 24, p. 163 (July, 1904).

of the nation to think and to act as a unit.

Take first the hostile attitude of many of the immigrants from the Central Powers. Probably a large majority of those of German descent, especially of those descended from Germans coming before 1870, were loyal. But the term "German" as used in statistical publications is quite ambiguous. Dr. W. S. Sadler has pointed out¹ that in 1600 Germany was almost entirely Nordic. Then, owing to the Thirty Years' War and other wars, the Nordic element was largely killed off and its place taken by Slavic Alpines, so that in 1914, Germany was 90 per cent Alpine and only 10 per cent Nordic. This, in his opinion, accounts largely for the fact that the World War was fought on the German side so much more lawlessly and cruelly than was the War of 1870. The characteristics of the Nordic race are individual initiative, love of personal liberty, and a certain chivalry and sportsmanship. The Alpine and Mediterranean races on the other hand tend to centralization of authority, reliance upon the state, and in war to subservience and absence of moral quality. Another element, the Semitic, is largely international or racial in its interests.

The resistance to the draft law, whether from cowardice, indifference or conscientious objection revealed the difference in attitude between the earlier and the later immigration, and this again showed that apparent "Americanization" was built in many cases upon quicksand. The unanimous opinion of American and French observers was to the effect that those American regiments composed chiefly of Nordic stock or led by Nordic officers were by far the most valuable.

It is estimated that at the present time from 40 to 55 per cent of our pop-

ulation are still Nordic. It is also stated that at least ten million aliens of non-Nordic races are anxious to come here at once. If this should be kept up for the next twenty years, it is easy to see that anywhere from twenty to forty millions or more of non-Nordic races might come, utterly changing the balance of race-stocks in this country. And, as everything depends upon the people who are here to do things, especially under universal suffrage, this would mean at the worst a profound change in our institutions and ideals, and at the best an ineffectiveness born of the mixture of diverse elements.

And still we do not learn the lesson. We forget that Egypt, Greece and Rome, as well as Chaldea, Phoenicia and Carthage, perished from the peaceful invasion of alien races.² Still we are led away from facing matters squarely by the red herrings of distribution of aliens and "Americanization." Neither distribution nor Americanization is possible while one or two millions of alien types are being poured into the country. I do not say that the aims and efforts of those engaged in the Americanization movement are wrong, but I maintain that the energy of many good men and a vast amount of money are being diverted from the only path by which success can be attained. I have no doubt also that they are encouraged by those who wish immigration left practically unrestricted. It has always been so in the past. Any important change in habits of thought and racial tendencies requires at least several generations. As I have said elsewhere,³ "you can not make bad stock into good by changing its meridian, any more than you can

¹ See an excellent historical survey by Charles W. Gould, *America, a Family Matter* (Scribners, 1920); see also, Alfred P. Schultz, *Race or Mongrel* (Boston, 1908).

² *Journal of Heredity*, X, No. 3, March, 1919.

³ Sadler, W. S. *Long Heads and Round Heads*.

turn a cart horse into a hunter by putting it into a fine stable, or make a mongrel into a fine dog by teaching it tricks." We must get away from the one-dimension, sentimental point of view that all men and all races are potentially equal, and from the two-dimensional economic view which considers man as merely a producing and a consuming animal, and face the truths of history and anthropology.

How much has "Americanization" changed the revolutionary communists in our large cities? How many more agitators are being allowed to come in today to make trouble in the future? They can not be detected by ordinary methods of inspection.

While immigration was at a low ebb and patriotic fervor was at its height during the war, there was a splendid chance to pass a stringent immigration law, even over a probable veto. We did nothing, as usual. It took twenty-six years to get the reading test into the law, although it is the most valuable restrictive clause we have. We are dallying with our future safety just at the time when, as Lothrop Stoddard so clearly shows,¹ there is a probability that the brown and yellow races of Asia will soon resume that western movement which was checked for a time by Charlemagne. Bolshevism is essentially such a movement of oriental Tartar tribes led by Asiatic Semites against Nordic *bourgeoisie*. Japan is arming. Before the war she was poor; now she is rich.² The next big war

may be in the Pacific. To prepare for that, indeed merely to maintain our present development, we need to become and to remain a strong, self-reliant, united country, with the only unity that counts, viz., that of race.

What, then, shall we do? Exclude the black, the brown and the yellow altogether; as to the white, favor the immigration of Nordic and Nordicized stocks. This will best be attained by limiting immigration from any country annually to a certain per cent of those from that country already naturalized here.³ Naturalization, when not artificially fostered, is one of the best tests of assimilability, and experience shows that it is the Nordic races that become naturalized. The effect in a year like 1914 under a 50 per cent limitation, would have been as follows:

	Actually admitted	Admissible under bill
Northern and Western Europe	189,177	1,090,500
Southern and Eastern Europe	945,288	279,288

In other words, the total European immigration would have been reduced 47 per cent by reducing that from southern and eastern Europe 71 per cent.

Some such measures as these are essential to the perpetuation of what the United States stands for, not only within its boundaries, but to the world at large.

¹ *The Rising Tide of Color*. (New York. Scribners, 1920.)

² See Thomas F. Millard, *The New Far East*, pp. 33-35; *Our Eastern Question*, p. 217.

³ This proposition is embodied in H. R. 10837 of the 66th Congress and in § 9 of H. R. 12320 introduced by the Chairman of the House Committee on Immigration Feb. 4, 1920.

Administrative Problems Growing Out of the Immigration Laws

By LOUIS F. POST

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WHILE officially aiding in the administration of immigration laws, I shall not hold myself at liberty to discuss immigration subjects as freely as I hope to do when my official responsibilities shall have come to an end. I see no reasonable objection, however, to indicating at this time some of the every-day problems of immigration work in its administrative finalities.

To the extent that those problems are exasperating or otherwise difficult, it is chiefly because they involve humane considerations which must be dealt with by administrative processes as foreign to the human side of life as the administration of public works, and with even a narrower margin for administrative discretion. To minimize the unavoidable hardships, the present Secretary of Labor, Mr. Wilson, has gone as far as the laws permit. His policy is indicated by an admonition to immigration officials which he published in his first annual report, 1913, and has since frequently emphasized. Referring in particular to immigrant stations, but in a spirit of manifest allusion to the whole immigration work, he said:

While regulation and exclusion, and therefore detention, are necessary in respect of immigration, it should be understood by all who participate in administering these laws that they are not intended to be penalizing. It is with no unfriendliness to aliens that immigrants are detained and some of them excluded, but solely for the protection of our own people and our own institutions. Indifference, then, to the physical or mental comfort of these wards of ours from other lands should not be tolerated. Accordingly, every reason-

able effort is made by the Department, within the limits of the appropriations, to minimize all the necessary hardships of their detention and to abolish all that are not necessary.

That policy may have fallen far short of complete realization. In so vast a public service bureaucracy, with all of its mechanical insensitiveness to the human element, is inevitable. Moreover, every administrative detail, whether of humanity or of efficiency, is held in check by Congressional appropriations; and these are narrowly limited from considerations of economy—unwarrantably limited it would seem, in view of the obtrusive fact that the income from arriving aliens in head-money alone, since the beginning of the immigration service in the early nineties has exceeded the total running expenses of the service by considerably more than two million dollars. Furthermore, the administrative discretion of the Secretary of Labor in immigration cases is, as noted above, extremely narrow. In consequence of it all, individual hardships are often more severe in immigration cases under the administration of the Secretary of Labor than in criminal cases under the jurisdiction of the courts.

A young man, for instance, arrives from a neighboring country of the south; he has lived in the United States for three years, coming from Canada; he had gone to the southern country to be with his mother during her serious illness, having for that purpose temporarily left his American-born wife and their American-born child in their little home in the American city where he is regularly employed. Appearing to

have every qualification for residence in this country he is, in immigration idiom, "a desirable"—at any rate, not "an undesirable." So the inspectors pass him on into this country. But just as he is leaving their presence, hastening to his wife and child, one of the inspectors, with no other purpose perhaps than to "pass the time o' day," asks him where he was born. Then the tragedy! His reply absolutely bars his return to his home and family in this country. He is a native of British India and to British India he must be deported. There is no administrative discretion; the utmost that can be done, and only the Secretary of Labor can do it, is to permit him to visit his wife and child temporarily before being exiled to a far country in which he has not been since he was a baby.

For another instance, an alien who has resided in the United States a score of years, a thrifty workingman with an American-born wife, a man who has built a home and reared two boys of American birth, goes to the "old country" on a visit, leaving his family behind to care for the American home. During his absence the illiteracy test is inserted in the immigration law over the President's veto. Our Americanized alien knows nothing of this until his return. In every other respect he is admissible, but he can not read forty words in some language or dialect. Very delinquent he is, to be sure, to have lived all those years among Americans without acquiring the American virtue of forty-word literacy in some language or dialect; but to exclude him is to impose an intolerable hardship upon his American-born family as well as himself. Yet the Secretary of Labor has no greater discretion than to admit him temporarily on a visit to his American home, his American-born wife and his

American-citizen sons, after which—exile.

A slightly different problem occurs when an immigrant family is admitted, all but one member, a girl it may be of sixteen or eighteen, who is certified by the official physicians to be a mental defective and must therefore be excluded. The family may protest that she is normal but naturally shy and is dazed by novel surroundings; private experts may testify to her normality; she may have been temporarily admitted from absolute necessity—as in war-time, and while awaiting deportation at the war's end may have demonstrated her normality even to the extent of making and saving money; yet, there is no discretion. She must be deported. Having been officially certified as "feeble-minded," or for "constitutional psychopathic inferiority," her exclusion is mandatory. Lest she get into the poor-house or an asylum at public expense, or become the ancestor of a line of American defectives, no security for the one nor proof as to the other can be taken by the Secretary of Labor as a condition of permanently admitting her to her family. She must be mercilessly separated from them and deported.

A somewhat similar problem is presented when a resident alien sends for his family to make him the American home he has hoped for and worked for, and upon his family's arrival one of the little children is officially certified as mentally defective. Not only must the defective child be returned, but the mother must go back with it as its natural guardian, and to a country in which she no longer has a home. There would be no difference if the father were a naturalized citizen, except that in this case the mother, being a citizen in virtue of her husband's citizenship, would not be compelled to go back except by the compulsion of a

mother's love. If reasonable discretion in dealing with such cases were lodged in the chief administrator, adjustments could often be made that would serve all the legitimate purposes of the immigration law without inflicting the unnecessarily severe hardships or promoting the immoralities that spring out of hopelessly interminable family separation.

A variety of these hardship cases arises in connection with the various grounds for exclusion, regarding which the administrative authority has no discretion but must follow the letter of the law. Could Congressmen be confronted with such rigid cases while voting for the law, it is inconceivable that they would legislate in cold blood to compel what the generalized form of the law as they enact it does compel the Secretary of Labor to do. Granted that in the interest of the country mental defectives and illiterates and Hindus and all the rest must as a general proposition be excluded, nevertheless, provision should be made to avoid or modify hardships to individuals. The remedy is simple. It has been proposed by Secretary Wilson but Congress has rejected it. To understand it one need but recall the old definition of chancery powers, which, as I recollect, is to the effect that chancery affords that special relief in individual cases which the law "by reason of its universality" can not anticipate. What is needed in connection with immigration procedure is a chancery power whereby the Secretary of Labor may be appropriately humane in individual cases of hardship which the immigration laws, by reason of their necessary universality of application, can not provide for. If the chief administrator of the alien exclusion laws were authorized to relieve individual hardships in his discretion, to the extent even of abso-

lute admission if necessary, being required to state his reasons on the record and to report to Congress cases of extreme exercise of his discretion, the integrity of the exclusion laws could be conserved without the unnecessary individual suffering which generates the most difficult problems of immigrant administration—problems that are heavily charged with embarrassment to any administrative official who regards American ideals as an essential part of Americanism.

Besides the numerous problems with reference to exclusion from this country, of which I have suggestively indicated two or three classes, there are serious problems with reference to expulsion. These are often less embarrassing than the others, because the Secretary of Labor is invested with authority to decide all contested questions of fact. He can not expel a resident alien without himself first deciding upon evidence that the facts demand it. The trial is not a jury trial, nor a trial under all the safeguards of judicial process; but a considerate Secretary of Labor has the legal power to decide issues of fact as a considerate jury would. Beyond that, however, he has no discretionary powers as to the expulsion of resident aliens any more than he has as to the exclusion of immigrants. If he finds that a resident alien does in fact fall into any of the classes whose expulsion from the country is required by the immigration statutes, he must deport that alien regardless of the inhumanity involved and without the slightest reference to its stultification of American ideals.

If, for instance, and I allude to actual cases, there have come to this country several alien families, some of the members of which are girls ranging from eight to ten or possibly to twelve years of age; and if these girls when in

their early "teens" go to work in American stores or factories; and if, seduced by a yearning for finery which they can not buy out of their scant wages but which less industrious or perhaps less unfortunate girls indulge in without blame, they are further seduced by American men; and if, treading farther in that ugly path along the byways of life in the United States, they plunge into a prostitutional career; and if, in some police raid upon an American house of ill-fame, they are caught in the net and, instead of being discharged with a ten-dollar fine like their American-born associates, they are given over to an immigrant officer who in due course applies to the Secretary of Labor for a warrant of deportation, —in such cases the Secretary of Labor has no alternative but to deport these alien girls to a country they have not seen since childhood, a country in which they have no friends to go to; and this, notwithstanding piteous appeals from their fathers and mothers for permission to take their once lost but now found daughters back into their homes. If, then, we were charged with rearing prostitutes for a foreign market, could we complain?

A comprehensive class of expulsion cases out of which embarrassing problems arise includes aliens who have resided in the United States less than five years and were mental defectives in any degree when they came, or beggars, or diseased, or laborers under contract to come, or whose passage money was paid by a society, municipality or foreign government. In such cases the Secretary of Labor is bound to deport those aliens whom he decides upon the evidence to be within any of the classes described. The law gives him no alternative, although the mental defectiveness has wholly passed away, the beggar aliens have become useful members of society,

the importation contract be long since out of date, the contract-laborer has become an employer, or the passage money has been repaid long since out of income earned by useful work. No matter how the circumstances may have altered since the alien came, he must be deported if they existed at the time he came and he be caught in this country within five years after his arrival. This is also true of persons who were either prostitutes or "anarchists" when they came. Though the former have become virtuous mothers of American children, though the latter have become as thorough-going governmentalists as a Kaiser at the divine right extreme or a Jefferson or Lincoln at the democratic, nevertheless the Secretary of Labor must deport them for what they were when they came—if any friend of this country or enemy of the accused makes the accusation and proves it. For the Secretary to refuse would be at the least to challenge verbal assaults for maladministration.

Even in legitimate cases for expulsion, the questions of fact on which they hinge can not as a rule be determined fairly by administrative process. This almost mechanical proceeding is too arbitrary to be suited to American ideals of fair-play when humane considerations are involved. The kind of process which determines whether an old public building shall be torn down or a new one be built is not at all adapted to determining whether a human being is unfit to continue residing in an American community. When human rights or duties are involved, the process of determination should be judicial, not administrative. There is really no very good reason why an alien who has acquired resident rights in the United States should not have his day in the courts of his vicinity before any administrative official of the central government is

permitted, much less commanded, to deprive him of those rights. To expel an individual alien for an individual

condition or individual conduct is a very different thing from excluding alien classes as a political necessity.

The Ultimate Basis of Immigration

By HENRY PRATT FAIRCHILD, PH.D.¹

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THE two elemental facts in both economics and sociology are that the ultimate source of all wealth is land and the sole means of making this wealth available for the satisfaction of human desires is human labor. The absorbing interest of mankind, accordingly, is and always has been how to make the former factor yield maximum returns with a minimum expenditure of the latter.

All the complicated laws and principles of economics are either elaborations or interpretations of these basic truths, variations upon the great central theme of life.

It follows that the ownership of land is the primary economic desideratum, not only because the ownership of land carries with it the possession of the immediate sources of wealth, but also because it commonly happens that if one owns enough land he can compel someone else to supply the labor necessary for the production of wealth.

The most illuminating conception of immigration is as the modern aspect of man's perennial search for land, for that is what it is in the last analysis. The power back of immigration is one of the most universal and insistent of all social forces—land hunger.

Man began his quest of land long before there was any economics or sociology to explain why he did it, long before he had progressed far enough in in-

telligence to be conscious of what he was doing himself. His early search for land was like that of the lower animals, instinctive, a natural reaction to the urge of hunger and the pressure of competitors. We may think of the primitive movements of population as the slow, gradual, unconscious expansion of the newly differentiated human species over the area suitable for its habitation, an area ever widening as the species developed in resourcefulness and evolved new types to fit diversified habitats.

Fortunately for man, during the first stages of his dispersion over the habitable globe he was not subjected to opposition from other groups of men. From the human point of view, he was moving into uninhabited territory; his only conflicts were with other species of animals and with inanimate Nature. This type of movement continued as long as there were uninhabited regions to be appropriated. This period included so large a majority of the whole span of human existence that the feeling of movement as a remedy for stringency apparently became closely interwoven with the very fibres of human nature until the appetite for land-appropriation—what one writer has naïvely transmuted into "the right to choose a home"—became almost instinctive.

A new epoch in population movements dawned when all the desirable sections of the surface of the earth became inhabited by men, so that the op-

¹ Author of: *Greek Immigration to the United States* (1911), *Immigration* (1913), *Outline of Applied Sociology* (1916).—The Editor.

portunity to move into unappropriated land was no longer open. From that time on migration became of necessity aggression upon the territory of another group whose land, whether because of a scantier population or for some other reason, appeared more attractive than that held by the aggressor. Such aggression, however, was always resented by the invaded group, because (however the group itself might have explained it) it was aimed directly at the source of the wealth of the group. Resentment was accompanied by resistance, and thus began that interminable series of wars over land which has continued down to the present moment, and which will not cease until some agency for guaranteeing territorial integrity is established other than the armed force of the groups themselves. The conquests and invasions of the classical times and the Dark Ages were all manifestations of the hostile type of land-quest. The activities commonly described as colonization differ from conquest and invasion primarily in the fact that the groups whose land is seized are so inferior in either numbers or culture that they can offer no effective resistance.

The discovery of the Western Hemisphere and the other great discoveries which marked that epoch opened a distinct era in population movements. The new features were due partly to the enormous extent of the new lands and the small power of resistance of the inhabitants, and partly to other historical factors which need not be reviewed here. The one vital difference between the old and the new forms of movement is that the nationals of a foreign country are allowed free access to modern states, *provided they come as individuals and on their own initiative*. This is the essential feature which sets immigration off as something entirely

different from any previous population movement. At the same time the new movement, although peaceful, is none the less a case of land-quest.

Immigrants from European and Asiatic countries come to the United States, Canada, Argentina, Australia, etc., primarily because the land situation is better in these new countries than it is at home. Whatever other motives of political or religious oppression, or social discrimination may be apparent are secondary, not only because they are of lesser weight but also because they are themselves the result of social conditions which the land situation has created or made possible. The United States is a democratic country primarily not because its early settlers wished to make it so but because it comprises a scanty population on a vast domain of enormous natural resources. The French, during the colonial period, tried to clap down a ready-made aristocratic system in Canada, but found that it would not work. There is evidence, also, that our democracy is waning with the increase in the density of our population.

From our point of view, then, immigration is a peaceful and permitted aggression of foreigners upon the territory of the United States. The fact that most of the recent immigrants do not themselves become landowners, or even work directly upon the land, does not alter the truth of that statement. At one, two, or more removes from the land they are sharing the benefits of our unique land situation, and that is why they come. This may seem a harsh way of stating the case, but it is no more harsh than is the operation of most natural laws. One reason why we have tolerated this peaceful aggression so good-naturedly in the past is that our man-land ratio was in fact so low that the newcomers were an actual advantage. One reason

why the restrictionist sentiment has grown so rapidly in recent years is that population has become so congested that the advantages of foreign accessions are at the best doubtful.

The practical questions of immigration, from the regulative point of view, are two. First, has the development of the United States reached the point where foreign increments are actually of no benefit to the country at large, socially or economically? Second, assuming that we as a nation reap no net advantage from immigration, are there other considerations which should induce us to permit its continuance? Are we bound by any obligations of international justice or humanitarian ethics to maintain the policy of admitting unlimited numbers of foreigners after we have reached the point in our national development where the coming of these foreigners tends in the direction of an unfavorable man-land ratio?

It is not the province of this paper to seek to answer these questions, but to point out the fundamental considerations which must be taken into account in formulating the answer.

A favorable man-land ratio lies at the basis of democratic institutions, of a high standard of living, of a progressive economic civilization, and in fact of practically all the elements of an enviable national situation. It is therefore the most valuable heritage of a nation. And since a favorable man-land ratio, once lost, can be recovered only with the greatest difficulty if at all, a nation is justified in regarding infringements on such a ratio as direct attacks upon its welfare not only for the present but also for the future.

Every nation with an unfavorable man-land ratio, and the individual members of such a nation, look with envious eyes upon other nations which are more fortunately situated, and are

urged by the most natural of impulses to seek to share in their advantages in all possible ways. The most direct way is to transfer the surplus population from the more crowded to the less crowded country. In the manner of colonization this transfer is made by the authority of the state, and the natives of the country of destination are so powerless that their convenience is not consulted. In the case of immigration the transfer is made by the initiative and on the resources of the individual migrants, and the consent of the receiving nation is a necessity. There is little question on the part of students of sociology or political science that it is well within the scope of the inherent rights of the receiving nation to limit this consent in any way or to refuse it altogether.

There is not the slightest ground for assuming that the natural urge to migrate to the United States will cease as long our man-land ratio and the social, political and economic conditions which arise out of it are sufficiently superior to those of the most crowded and most backward country in the world so as to promise any advantage to the people of that country as a reward for migration. The same principle applies to all countries in general. The natural culmination of unrestricted immigration would come only when the man-land ratio of all countries had been reduced to a common level, and that level would be the equivalent of that which prevailed in the most poorly situated country.

The problem at the present time presents two aspects from the point of view of the United States. The first concerns immigration from European countries, the second, that from Oriental lands. Before the war the process of equalizing advantages between the countries of Europe and America had progressed so far that there was no

longer a strong incentive for the common people of the more favored European countries to migrate, and immigration from England, Ireland, Germany, the Scandinavian countries, etc., had fallen to small proportions. The immigration from the less fortunate countries of the south and south-east, on the other hand, was large and increasing. What the effects of the war will be it is as yet too early to determine with certainty. There is much evidence that a European immigration exceeding the maximum prewar figures is impending. If this is true, it means that although the war reduced the population of European nations, it also destroyed capital and organization to such an extent as to have actually made the man-land ratio less favorable.

With reference to Oriental immigration the acute problem is now concerned with the Japanese. There is no question that the restlessness of the

Japanese nation is due at bottom to the congestion of a prolific people upon a land of limited productive area. This is generally recognized, and it is frequently asserted that such a nation must have an outlet—"not the United States, of course, but Manchuria, Korea, or Siberia."

Such a statement brings up the crux of the whole immigration problem, not only with reference to the Japanese but also with reference to all other peoples. It may be briefly stated thus: Has a nation whose population is expanding beyond its own resources to such an extent as to threaten its standard of living a right to look for an outlet in some other land? Or has the time come to deny the right of a nation which is suffering stringency because of an unrestrained growth of population to seek relief by encroaching on the territory of a more fortunate or more self-controlled country?

Immigration and the Future

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AMONG the news columns of today one finds items like the following: "Twenty-five million people trying to come to America," "Congress asked to suspend immigration for two years," "Italian syndicate organized to promote immigration and to assist

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Italian immigrants in their enterprises in other countries; special schools organized to teach such emigrants to read and write and to trade, so the investments of the syndicate may yield a big return . . ."; "European radical labor chiefs plan to invade America . . ."; "Overseas corporation organized to bring in the families in Europe of immigrants in America at \$300 per family . . ."; "Riot in America between the Venizelosists and royalists over the Greek election . . ."; "Russian trial, in the style of modern justice in Revolutionary Russia, took place last week in New York when a comrade was tried for misappropriating relief funds

before the Comrades Judicial Tribunal. Three speeches were allowed for acquittal and three for conviction, and upon conviction the penalty imposed was publicity of the case and the restitution of property was ordered . . ."; "Commissioner-General of Immigration goes abroad to study conditions, and while he is on his way to Europe the Commissioner of Immigration at the port of New York accuses the countries to which he is going of a plot to dump the radicals and criminals upon America."

What do these and similar items of national and international news denote? What is their significance in American life, and what do they portend in immigration affairs at a time when immigration is one of the most vital of questions which affect people of all nations?

They denote, first, a great confusion in American public opinion upon the subject of immigration, concerning the facts and fundamental questions involved, and concerning the new problems which the war has brought. They denote a divided public opinion with little clear leadership one way or the other. They denote, also, a lack of definition, an impatience with truth and a dislike of dispassionate analysis; characteristics of the public mind that must be dissipated if we are to deal wisely and justly with the immensely difficult and delicate immigration problems. Evidences are not wanting that informed minds and calm judgments will be needed to steer a safe passage through the immigration shoals, for between the temporary rush of people to this country to escape the post-war conditions in Europe and the intention of Americans to stop that rush to the United States, many treacherous spots intervene.

Among these treacherous spots in a judgment of immigration are the

use of the quantitative tests whether in the admission of immigrants or in their naturalization. To continue to use these artificial tests to gauge assimilation either by percentages or by the numbers naturalized is to permit the continuance of the superficial tests which obtained during the war, and which since then have been revealed in all their hopeless inadequacy. Furthermore, to gauge assimilation by the prosperity of immigrants is to give undue recognition to the crude tests which industry supplies. It is not so much a question as to whether one thousand or ten thousand immigrants come to the United States as it is where they come from, why they come, what they have in mind, what their nations expect of them and what amount of assimilative process they require. It is not so much a question as to whether there is work for one thousand or ten thousand immigrants as it is whether there is a business system which will provide for their reception, distribution and adjustment, and which will insure economic assimilation. It is not so much a question as to whether immigrants have equal opportunity with Americans as it is whether there is a feeling of racial recognition and reciprocity and a willingness to welcome the immigrant to participate in American affairs which will insure that finer assimilation which only the American spirit can define.

The importance of taking these into consideration is indicated by changes in the immigrant himself. However much the immigrant may look and act upon arrival as did his predecessor, the fact remains that he is a rather different person since the war, partly because of his own experience and partly by reason of the necessities of his home country. He is weary of fighting, of hunger and privation, and

wants with little effort a rest and prosperity. He is suffering from economic as well as from military shellshock, and pressure to increase his production at lower costs does not appeal to him. He is, in some cases, in sympathy with Bolshevik doctrines as he interprets them. These attitudes of mind might be dealt with easily if the immigrant who now comes to America were a wholly free agent, if he had burned all his bridges behind him and if he always looked forward instead of so often backward.

It now so happens that as a result of the war Europe and the United States both have different desires, while before the war the desires of both Europe and the United States were more nearly alike. The United States is now bent upon increasing production and lowering its cost, upon an open shop contest, and to further this it wants immigrant manpower. The United States needs consumers to take up the cheaper lines of goods to prevent waste, and thus lower the cost of living, and for this it relies upon new immigration. The United States needs immigrants with habits of thrift and frugality who will accumulate savings, and thus increase capital for new enterprises, and for this it needs immigrant wage-earners. In a word, if the incoming immigrant does not contribute some or all of these things, Americans do not want him because his coming will be a failure for himself and for this country.

Before the war, Europe, prosperous, powerful and sure of its future, was content to have millions of its emigrants go to America to help build a greater America, in the belief that when an emergency call came they would return home. The war revealed to European nations how great in men and resources and in ambition and power was this country which

they had helped to build. It also revealed to them the great difficulty of holding the allegiance of their own immigrants when once they had learned our language, had acquired new homes and citizenship, and had invested their savings in the United States.

Necessarily, then, Europe so sorely in need as it is today of money and markets, savings and leadership, and so insecure as to future peace, while it favors the emigration of its people to relieve the economic strain, however, is not greatly in sympathy with assimilation or Americanization of her emigrants in immigration countries. Rather is she bent upon a policy of race separation by which each country not only hopes, but will eventually plan, to keep its nationals united wherever they may be. This policy is contrary to that of the United States, where all immigrants are urged to become citizens.

The first step in the future immigration policy of Europe is to encourage all residents belonging to the minor nationalities in any given country to emigrate. This is best exemplified in the movement to expel Hungarians from Czecho-Slovakia and Jews from all European countries. This, in addition to economic pressure, explains the great rush toward the United States and to other immigration countries. The new immigrants are refugees, not only from the war, but also from the new European policy by which each country wishes to keep its racial strain pure. In case of future wars, each European nation will try to lessen the risk of disloyalty or treason from within, for each realizes that there may come a time when it may eventually stand alone, dependent wholly upon itself. This much the delay in the functioning of the League of Nations and subsequent events since the war have taught the nations

of Europe. They think, now not so much in terms of peace as of future wars, and plan accordingly.

The second step by European nations in this policy of race separation, as opposed to the American policy of assimilation, is the recall of nationals which began soon after the war had ended. This recall has two objects in view: first, to obtain information at first hand concerning the immigration country, its resources and opportunities, and to benefit by the immigrant's knowledge and savings; second, to infuse him with a new sense of nationalism and devotion, in order to further the fiscal and industrial plans of his native country.

The third step in this policy is the encouragement of emigration and its control after arrival in the new country. The federal official, who in a recent speech charged European governments with a plan to dump their criminals and radicals on the United States, was but voicing a worn-out American interpretation upon the present immigration movement which has an object far more astute, far more far-reaching than is yet apparent on the surface. It is not to the advantage of European countries in need of money, man-power, material and markets to spoil the large field of revenue and power which they see in immigration countries by the adoption of any such short-sighted plan. They are planning a far more statesmanlike handling of the situation which includes the future as well as the present.

Foreign nations mean to control the interests of these immigrants in new countries in the following ways: 1. They mean to protect them and win their gratitude. With this end in view, Holland has suggested calling a conference of European states to consider uniform plans for the protection of emigrants to be applied in

countries of immigration. Many countries have already enlarged the powers of their consulates in the United States to protect their immigrants; and they are supporting societies and homes and movements to look after their nationals. They are encouraging them to apply to their consulates for advice and assistance. In this work they have able support from a considerable part of the foreign language press in this country. Some countries have gone so far as to suspend emigration to countries which do not protect immigrants and which do not provide them with good opportunities; and, on the other hand, to facilitate emigration to those countries which offer such protection and opportunities. 2. They mean to control the interests of their immigrants by obviously advancing their economic interests, by securing in advance concessions of free land, farm equipment, commercial opportunities and investments. 3. They mean to exercise this control through education, by means of the establishment of schools, and by supporting the foreign language press through advertising, and by fostering the establishment of cultural societies; all for the purpose of perpetuating the language, ideals, culture and interests of the native land of the immigrants. They mean to promote such control through commercial organizations and to use intelligently their nationals in trading companies to advance the sale of goods in the United States and to help them to secure new markets. To this end many such companies have already been established, and commercial magazines in foreign languages are fast making their appearance as trade propagandist magazines. They mean also to keep in touch with their nationals by social events, and so far as the United States is concerned, it will

increasingly see distinguished members of these races visiting their nationals here as guests of honor for the purpose of keeping home ties closer. They mean, at least, to consider the advisability of giving their nationals abroad representation in the home country. Thus we may see presently the racial societies in this country selecting such representatives to attend conventions and sittings in the native country.

To accomplish all this, foreign nations will, therefore, favor the establishment of immigrant banks, and of branch banks in immigration countries where the native language is spoken, thus to stimulate the transmission of money home and of investments in the homeland. They believe that if the pocket-book of the immigrant can be safely tied to the homeland all will be well.

Should the carrying out of these plans be less successful in some immigration countries than in others, European nations will then divert their emigrants to the more favorable countries. On the other hand, if it pays better they will keep them at home, or they will work out plans for the exchange of immigrants on the basis of temporary labor on some such arrangement as now exists between Italy and France whereby the former, having a surplus of men, lends them to France in exchange for coal and according to specified agreement as to their wages and living conditions. In the new epoch we shall see more rather than less of this commercial negotiation in which men are the pawns of nations.

What effect will this have upon the economic values of the immigrant to the United States? The present immigrant is not eager to do the kind of work which America most needs to have done. This changed attitude on his part may be due to several reasons.

If he is a reservist, who has fought in the war, he tells us that he expects something better from America than the rough work he did before the war. If he has been through great hardships in the war, he says that he is not looking for an immediate job, but for an opportunity to escape from the results of the war in his home country. In any case, when he arrives in America he tells us that he does not intend to do hard manual labor. This changed attitude of the immigrant toward manual labor, considered in terms of production, compares unfavorably in capacity, adaptability, skill and willingness with that of the immigrant who is returning to Europe. A balance to our credit in numbers may thus more than be offset by differences in capacity and willingness to work.

The employer, therefore, is making discoveries which are disturbing. In the near future he may not only have to employ two immigrants from the the incoming class to do the work of one of the class before the war; and he may not only have to pay them at very nearly the same rate as the earlier immigrant received, but he may also have to deal with a new kind of workman who brings with him the Bolshevik theory of "working slowly on the job." Moreover, the employer finds that the new immigrant is more restless and more eager to get something for nothing than was his predecessor, which, of course, adds to the employer's increasing cost of production.

Few business men realize to what an extent the war has accentuated the internationalism of the immigrant. Today, the smallest employer or banker in the most remote American industrial village is now called upon to deal with questions which have their origin in circumstances quite beyond his conception, and with forces which

have been in existence for centuries, and which now are operating through thousands of miles to reach him. He is, in most instances, quite unaware that the immigrant is a different unit of power from the native-born workman. The immigrant has traditions, customs, habits of thought and centuries of inheritance which the employer generally knows little about, and because of this ignorance may offend him, thus unwittingly causing a lasting resentment. The immigrant workman is the subject of solicitation from forces across the sea that the average employer hardly more than suspects—be they the propagandist from Russia, the appeals from his family in Europe or the importunities of his native government. He has worries and responsibilities, the extent and seriousness of which the employer can not possibly imagine, especially when he has his own mind fully occupied with questions of wages, housing and production. When the immigrant workman goes home, it is not to a consideration of affairs which the American readily understands, but it is more often to read his foreign language papers or to talk with his friends about conditions in the native land and what he can do to help change them.

Then, too, business will have to bear the cost of immigration turnover which is so evidently imminent, because the intention of foreign countries to hold their immigrants, the improved facilities for transportation which will facilitate their return, the negotiations between countries which will tend to uproot men settled in one country to embrace what seem to be better opportunities in another, all of these will increase immigration turnover.

Many aliens who had been regarded by American employers as "settled" have become imbued with a spirit of nationalism that has created a desire

to return to the homeland. Few American plants have kept the records of labor turnover by races, but as an illustration, it was found in one plant, where such records were kept, that the turnover among native-born employes was 66.8 per cent, while among those of foreign birth it was 104 per cent; that among the foreign-born employes, who were *naturalized*, the turnover was 82 per cent, while among those who were still *aliens* it was 110.9 per cent. As it costs this particular plant about fifty dollars per head for hiring and training each new worker, a further analysis of the labor turnover indicated that the cost per unit of increase was \$163.41 for native born; \$194.17 for naturalized foreign born; and \$523.36 for the unnaturalized foreign born. Incidentally, these discoveries illustrate a practical value to industry of separating on all cost sheets native and foreign-born workmen, a plan which so far few employers have adopted. The total cost of immigration turnover to American industry can not be as yet estimated.

Who can estimate, for instance, the cost to American industry of training aliens up to a point of efficiency in production and organization methods, and then have them return as competitors to Europe? Who can estimate what it will cost American industry, which receives the inexperienced peasant from Europe, undernourished by the war, to convert him into a well-conditioned, experienced workman; and then return him to Europe to produce goods in competition with American products? Who can foresee what it will cost American business to receive a million immigrants a year, teach them American methods, American technical skill, American ideals, the English language; and then have half of them, or more, return to their native land in an unfriendly and

unsympathetic attitude towards American business and towards the country, and with the bulk of their savings from American wages in their pockets?

There are some who believe that American business is under obligation to make such a post-war contribution to Europe. Granting this, would it not be well for the American business man to know, not only that this is a contribution to Europe, but also what it costs? Then, if he continues to so contribute, it would be because he was willing to do so and in full confidence that he was doing it in a businesslike manner. Only by complete knowledge, and by the adoption of business principles in all of our immigration undertakings, will the avoidance of resentment in our future commercial relations with foreign nations be made possible.

In this new age when immigrant man-power is such a vital commercial asset, what will become of the individual immigrant, the adventurer, the pioneer, the bird of passage, who sought a fortune or freedom from persecution? In the future he will leave his home with a heavier yoke of nationalism upon him, but it will be a yoke whose pressure will be gentle because of his willingness to bear it. The emigrant will leave, as he believes, to better his own condition, but his nation will understand that it is to relieve the economic strain. He will leave, as he believes, to join friends and relatives; but his nation will understand that it is for its own best interests. He will go, as he believes, for his own adventure and success; but his nation will understand that he goes for the glory of the homeland. It will, therefore, admonish him not to abjure his allegiance, but to report opportunities for investment, and to find locations for foreign capital in the new country. It will urge him to

do everything in his power to advance abroad the interests of his native land. It will connect him with a racial organization, so he may keep aloof from, rather than join in, the affairs of the new nation.

The success of the various plans of European countries to use their nationals to advance their own interests depends upon the maintenance of economic solidarities in this country. If the immigrant shop, bank, employment agency, newspaper and trading company can be kept functioning together as one economic unit to help the consulate, if the activities of these institutions can all be headed up in a few responsible leaders in each group, if, in a word, racial economic solidarity and racial systems are maintained, then greater will be the profits to the native country. If the racial society, foreign language newspaper, protective associations and relief associations can be kept functioning together as one social unit to promote the political interests of the various countries, then the greater will be the advancement of that country.

As a result of the success already attained in these fields, largely through our own shortsighted policy, there exists in the United States today, two economic systems; one for the immigrants under foreign-born leadership, and the other for the Americanized immigrant and native born under native-born leadership. Side by side they compete with each other. Each system has its own employment agencies; the one, where English is spoken; the other, where it is not. Each has its own way of handling laborers; the one, through the padrone who houses and feeds the workmen; the other, through boarding-houses which are run on American standards. Each has its own shops; the one, where imported articles from Europe predom-

inate; the other, where American products come first. Each system has its own banks; the one, where the savings are transmitted to Europe and where foreign investments are encouraged; the other where savings become American deposits and purchase American securities. Each has its own societies and press; the one, which preserves the traditions, culture, and habits of the race; the other, which furthers the traditions of the United States. Each has its own trade relations with native countries; the one, which favors the interests of the foreign country and of the race; the other, which favors American trade interests only.

These racial agencies are as perfectly linked together in an economic system as are the parallel American agencies. Though they are far less powerful and resourceful than are the American agencies, yet, among their own people, they possess a greater potential power to influence their economic affairs. Identity of racial interest has in this way bound together the members of each race as no American interest has ever done.

This mobilization by racial organizations of racial resources in the United States has amazed the old world by its cohesiveness and by its wealth, power and masterful efficiency. The immigrant is met at Ellis Island by a racial missionary who speaks his language, and who, having the advantage of knowing his friends at home, at once establishes cordial relations. The immigrant is lodged in a hotel where the atmosphere reminds him of his native country. Thus, the impressions which he receives concerning the United States come to him first through old world memories and experiences. He is next introduced to a "padrone" who secures work for him.

If this will be, in part, the economic

effect of the future policy of European nations upon the immigrant, what will then be the political effect? Shall we have in addition to a dual economic system a dual political system? Shall the troubles of Europe be settled in America? Shall each racial group organize and assist in the direction of the affairs of its native country? This question has been brought to the fore by the war which has stimulated nationalism among all races and thus strengthened solidarities in many. It is but natural, then, to inquire if the immigrants who have given so much in order that their native countries will be free and independent, will not come to the United States prepared to use their utmost effort to see that in the future the results for which they fought so heroically are assured. When the return of King Constantine to the throne is a more burning question to Greeks in America than is the election of a President of the United States, and when this discussion is at its height at the same time that an American election is in progress, grave doubts necessarily must be raised in the minds of Americans regarding assimilation. When Albanians in America, many of whom have come to stay, are more divided into factions over conditions in the home country than they are united on their future here, such doubts are strengthened. An inventory of racial solidarities, their aims and activities, would help very much to set our doubts at rest, and to stimulate us to greater and more intelligent activity upon assimilation. Many inquirers can not see how America is to be kept free of international entanglements if a large section of its population, through its own subterranean channels, is assuming the direction of affairs in Europe. They foresee the time when there will be a division of opinion upon the

attitude to be taken by the country as a whole.

But there are many others who see an infringement upon American liberty in the limitations of the powers of such organizations. To them, the discussion of international affairs by foreign language groups, with intent to circulate propaganda in favor of one party or the other in the home country, is a lesser evil compared to the greater danger of restricting the freedom of expression in America. They, therefore, see little harm in meetings which are called to denounce foreign governments regardless of whether these governments are free or oppressive, or whether they are monarchies or democracies. They see no harm in permitting publications in foreign languages to be published in America which take a stronger position on foreign political events than they do upon American political events. They believe that organizations should be free to raise money for any purpose which they see fit, to be used abroad; that they should forward resolutions expressing their opinion on the affairs of their native country; that they should send delegates, if need be, to deliberate in assemblies abroad which are dealing with native country affairs.

Upon a subject of such vital importance no general public opinion has as yet been formed. Both those who emphasize and those who minimize the dangers realize that before official action is taken a thorough-going analysis should be made of this new political situation, with a view to informing the country and receiving the benefit of its mature judgment. Obviously, the post-war immigration conditions, involving as they do the plans and intentions of emigration countries and the preparation by countries of immigration for the entry

and reception of the immigrants, or their exclusion, create a situation which legislation can not remedy, which restriction will not prevent, and which suppression can not cure.

The racial economic system has no fixed intention of being inimical to the interests of America. As it has grown up as the result of isolation and neglect by the American business man, it can become incorporated into the American economic system only through his change of attitude. For the moment, quite our own fault, this identity of economic interest, in many instances, is stronger between the foreign born and the home country than it is between him and the United States, and sometimes stronger between races in America than between races and native born. If assimilation is to succeed we have to apply to the conquest of this system a high degree of business intelligence.

The American bank has to sell itself to the immigrant in competition with the racial bank if the immigrant's savings are to be used to build up American business and capital instead of building up foreign business and capital. The American employer has to provide conditions of work, standards of management, rates of compensation and standards of hours, not merely for altruistic motives, but to meet the competition of countries like Argentina, Australia, Canada, and later Russia, and also to meet like competition in the native countries of the immigrants. Failing in this, he may later also fail to obtain immigrant man-power.

The American merchant has to take the American standard of living to the immigrant and induce him to like it, not merely to protect the workingman, nor for any other altruistic reason, but to follow its own law and create a market for American goods; otherwise,

the immigrant's own countrymen may take the market away from him in spite of the tariff or any other legislative protection, or they may use the skill and experience gained in the United States to establish trading companies, the main profits of which will not go to American business. The publisher, the material vendor of American ideals and ideas, must too sell his product to the immigrant not merely for patriotic reasons, but because it pays. And, finally, the English language press has to sell American opinion and points of view to the immigrant in competition with racial and international opinion and points of view, not merely for patriotic motives, but because the American news market is the one most closely identified with American business success.

In dealing with these facts we must guard against playing into the hands of our foreign competitors—whether for markets or for man-power. Resentment, repressive legislation, discriminations, arbitrary closing of the gates causing needless suffering to families will but increase bitterness toward the United States. Shutting out immigration will not eliminate propaganda, even though this action may stop propagandists in person.

This is not the answer. It is the systematic integration of the immigrant into American economic life, beginning with his arrival; it is the enactment of immigration treaties, based upon a study of the various countries, through which can be determined the aptitude for assimilability of various races, and the cost and time it will require, since obviously, as some races will require more time than will others to be adjusted into American life, some such preliminary is necessary. More and more, as our science of racial relations develops, will our studies and analysis turn to the source

of immigration. It may well be that we shall need some legislative safeguards to protect American interests because the tide of immigration has caught this country unprepared to receive its immigrants properly, to distribute them evenly, to protect them from exploitation, to provide facilities for learning English or to connect them with Americans immediately upon their arrival. Then, too, this country has not authentic information regarding racial activities, principles and means of assimilation which will enable it to provide at once such a system. It is child's play to bring together educators and social workers to discuss immigration compared to the task of bringing together racial and native American bankers to unite their efforts in practical banking to further the protection and investment of immigrants' savings in this country; to the task of bringing together native American and racial merchants and dealers in the interests of American trade; to bring together native and foreign language press editors in an effort to unite racial opinion with American public opinion; and to unite native and foreign-born workmen in the same plant, free from racial animosities and bitter activities against each other.

Neither is it easy to have fire insurance companies see that their best Americanization work is to teach the American standard of living as a means to lessen fire hazards; to have credit men see that the soundest Americanization is to extend credit to the foreign born and to have American capital invested in racial business; to have life insurance companies see that their Americanization contribution is to compete with racial societies that are in effect insurance organizations; and to have each industrial plant see that its work begins at home by including

immigrant workmen in management plans, and by making those plans intelligible to them.

When we have obtained such economic cohesion between native and foreign born at home we may then present a united effort in our conquest of foreign markets, in the expansion of our financial transactions, and in the full discussion of international affairs to which we must eventually be a party, but from much of the knowledge of which we are at the present time isolated.

Neither will this country achieve economic assimilation by multiplying organizations, by extending mechanical agencies, or by creating formal facilities like classes in public schools, unless there is a genuine fusion of economic interests. Each race as well as the native American must by study and by association together arrive at a recognition and just appraisal of each other's qualities and capabilities. Each race as well as the native American must arrive at a full reciproc-

ity which will permit of the initial exchange of ideas and ideals, by association together in work and business. Each race as well as the native American must arrive at that point of participation in American affairs which makes this greater than participation in any other affairs—in this way the identity of interest of all people in America becomes permanent and broad and therefore sound.

In casting about for the leadership which this complicated racial, business and governmental situation requires, the Immigration Committee of the Senate of the United States under the distinguished leadership of its Chairman, himself a student of immigration affairs, seems to possess the requisite power to assemble the data in this country and abroad and to make such an analysis as is required for calm deliberation, as well as the capacity to formulate for submission to the country a sound policy which will recognize the international difficulties while safeguarding American interests.

The New Flood Tide of Immigration

A Policy and a Program

By The National Committee for Constructive Immigration Legislation,
Henry W. Jessup, J.D., Chairman

THE COMING IMMIGRATION

IMMIGRATION from Europe has already returned to its prewar volume, so far as its numbers are concerned. Available indications promise a flood in the coming few years vastly larger than any that has ever come in the past. Honorable Frederick A. Wallis, Commissioner of Immigration for the port of New York, estimates that "four to five million Italians are waiting a chance to come. Sixteen steamship companies have stated that they could book at once enough immigrants to fill their space

for ten years to come." Surgeon-General Cummings stated in October, 1920, on his return from south Russia, that seven millions were making plans to come to America. Tens of thousands have already left their homes in Italy and central Europe and are now stranded in various ports, big cities and border lands, waiting for transportation.

AMERICA'S IMMIGRATION PROBLEM

This new flood tide constitutes a fresh problem for America to solve. Can she wisely admit all who knock at

her doors? Even with immigration at the rate before the war (1900-1914) many large congested areas of foreign nationalities developed in our principal cities. Americanization of the newcomers has gone on only with difficulty. In June, 1919 our foreign-born population numbered approximately 17,000,000. Of these, 75 per cent are located in 18 per cent of our territory, and 72 per cent are in our cities. These are serious facts. In addition to the foreign born now here, can America afford to admit each year several millions more?

This problem has several distinct aspects.

1. *The Question of Assimilation and Americanization.* We have been able to assimilate millions of immigrants from northwestern European peoples, and wholesomely to incorporate them into our life and body politic. For a century we have been doing this rather successfully. This was during the period when public land was free for settlement. What is now left is poor land, and the newcomers, unattracted by the land, gravitate into and remain in the city centres. But we are not quite certain yet how successful we have been with the more recent immigration—that from southern, central and eastern Europe. The time has been too short. The flood came in (1900-1914) too fast and it settled in congested areas. It appears to many very doubtful whether we could in any proper sense and in any reasonable length of time assimilate and Americanize a new flood tide from southern and eastern Europe, if, in addition to the still unassimilated peoples of those lands now here, we should admit two or three millions yearly for the next ten years.

2. *The Problem of Making Our Democracy a Success.* Unless the immigrants who settle permanently

among us become quite thoroughly Americanized, the success of our democratic form of government is endangered. Fair and free discussion of political questions and policies, honest voting, loyal acceptance of majority decisions, rejection of demagogues and of all appeals for the use of violence or fraud in the establishment of government—these are essential characteristics of our democracy. The peoples of Europe, particularly from those parts of Europe whence our newer immigration has been coming, do not know or understand or prize these principles. By admitting them therefore in excessive numbers, there is grave danger to the success of our democracy.

3. *The Economic Question.* America has developed certain ideals of industry, of wages and of living standards for our industrial classes, far higher than those of other lands. We wish all the children of all our people to have full opportunity for the highest development. We hate child labor; we demand free education for all. We want an intelligent and educated people.

Free immigration from Europe under the present conditions will complicate and may endanger these ideals and standards. Life for the workers in Europe is burdened with restrictions and loaded down by taxation. The suffering and sorrow of the great war has fallen mainly on the toilers. Conscription in every land, save England, hangs like a pall over the people. America appears to them all as the one land of hope and opportunity. The inevitable result is an enormous volume of prospective immigration to America whatever may be the economic conditions here. They will take work at any price. They will accept any wages offered. They will live and work under any conditions, however unsatisfactory. Their condition, they be-

lieve, would be better than that which exists in their home lands.

If the work to be done will not suffice to provide employment for all the newcomers in addition to all those now here, there would result a discharge of the older workers (who are demanding high wages and insist on maintaining "American ideals and standards"), and the employment in their stead of the newcomers at lower wages and longer hours. When a million or two unemployed men in factory towns—Americans and foreign born—find their needs and their protests disregarded by the nation, trouble may begin. There are many who fear that riots, burning of factories and forcible stoppage of employment of new foreigners will break out here and there. In any event, the discontent of the unemployed may, if manifested on a large scale, expose our democracy to a severe and serious strain.

If the foregoing diagnosis of the present situation be correct, and if this forecast of the consequences of our present policy of unrestricted immigration be regarded as well grounded, then loyal Americans will welcome the real solution.

Two alternative proposals are now before the country.

THE FIRST POLICY

This is the proposal of the American Federation of Labor. It demands the complete stoppage of all immigration. This proposal is the natural reaction in sharp antithesis to the present practice of free immigration. It urges the imperative necessity of maintaining present standards of living, labor and wages. It also insists on the need of Americanizing the millions of foreigners now here before we admit still other millions of newcomers.

This policy finds favor with many patriotic Americans unidentified with

organized labor. As against the present practice of admitting all who may come to us, many Americans of the commercial and agricultural classes would prefer the policy of complete stoppage of immigration.

THE SECOND POLICY

This is proposed by the National Committee for Constructive Immigration Legislation. It advocates the scientific regulation of immigration. It does not propose either the complete stoppage of immigration or its unlimited admittance. It urges that the amount of immigration which may be admitted wisely in any given year depends on facts which are not generally known and which can not be known until patient, scientific investigation has been made of two distinct sets of factors; one social, the other economic.

Neither Congress nor the people as a whole has at present adequate knowledge on which to base a hard and fast immigration law that would be really wise and safe for us, or fair and friendly to the peoples clamoring for entrance.

What is needed is a law that will define certain principles for the guidance of decisions, that will set up the requisite machinery for getting the needed facts; and that will provide an agency for evaluating those facts and for applying the principles in the light of the facts, so that the immigration allowed may be steadily adjusted to the ever changing economic, industrial and social conditions.

We contend that this policy, if adopted, will create an automatic barometer of advisability of assimilable immigration.

The policy and program advocated by the National Committee are based upon and embody the following *General Principles*:

1. That all legislation dealing with

immigration and with resident aliens should be based on justice and goodwill as well as on economic and political considerations.

2. That the United States should so regulate, and where necessary, restrict immigration in order to provide that only so many immigrants of each race or people may be admitted as can be wholesomely Americanized.

3. That the number of those individuals of each race or people already in the United States who have already become Americanized affords the best practicable basis of measuring the further immigration of that people.

4. That American standards of living should be protected from the dangerous economic competition of immigrants, whether from Europe or from Asia.

5. That no larger amount of immigration of any given people should be admitted than can find steady employment and can fit wholesomely into our social, political and economic life.

6. That such provisions should be made for the care, education and distribution of aliens who come to live permanently among us as will promote their rapid and genuine transformation into American citizens and thus maintain intact our democratic institutions and national unity.

7. That the standards of naturalization should be raised so as to include among other requirements at least the ability to read an ordinary American newspaper, some real knowledge of the history of the United States and an intelligent acceptance of the practices and ideals of our democracy.

8. That under careful regulation as to numbers and qualifications of permitted immigration from the various peoples, the privilege of acquiring citizenship by those who are lawfully here and are to remain a permanent part of our population should then be granted

to all who actually qualify, regardless of race.

On the basis of these general principles the National Committee for Constructive Immigration Legislation has prepared the draft of a bill (H. R. 14196)¹ which has been introduced in the House of Representatives by Honorable Benjamin F. Welty.

PRINCIPAL FEATURES OF THE PROPOSED LAW

1. The bill creates an Immigration Board to consist of the Secretaries of State, Labor, Commerce, Interior and Agriculture and a sixth member appointed by the President and confirmed by the Senate. This Board is to collate and analyze the facts in regard to economic conditions and to the assimilation of the different peoples already among us. In the light of the principles and facts, it is empowered to determine yearly the maximum number of immigrants of each people to be admitted to the United States.

2. Its decision shall be based on:

(a) The demonstrated assimilability of each people as shown by the last preceding United States Census, in regard to the number of each people who have become citizens by naturalization and also the number of American-born children of that people.

(b) Labor conditions in the United States, whether industrial, agricultural, domestic or other.

(c) The maintenance of American standards of living and wages:

(d) The fitness and availability of each people for general or for special needs, and for various localities.

3. The Board is required to study and report upon the question of distribution of immigrants.

4. The bill makes a distinction between "transients" and "immigrants."

¹ See Bill, p. 218.

All aliens are required on entering the United States to give a Pledge of Obedience to our laws.

5. The standards for the acquisition of citizenship by naturalization are raised, as indicated above in General Principles seven, and the privilege of citizenship is offered to everyone who will duly qualify.

6. Laws now existing that contravene our treaties, that discriminate between peoples and that are in conflict with the above provisions are repealed.

ADVANTAGES OF THE PROPOSED LAW

1. The proposed law will admit as immigrants from each people only so many as we can hope to Americanize—because it will allow an immigration of newcomers of any given people only in proportion to the previously proved ability of that people to assimilate wholesomely into our life.

2. The proposed law will provide a competent board to deal continuously with the ever-changing problems of immigration as they arise, with power (a) to adjust from year to year according to our economic and industrial needs the amount of immigration from each people, (b) to deal with special exigencies of labor and of human needs, and (c) to investigate thoroughly and comprehensively the basic problem of the distribution of immigration.

3. It will protect American labor from dangers of unregulated immigration, and help maintain American economic, social and hygienic labor standards.

4. It will tend to stabilize business by preventing extreme fluctuations of available labor which result in over-production and then in stagnation of business with unemployment of labor, causing incalculable suffering, anxiety and loss, and increasingly ominous unrest.

5. It will raise the standards of naturalization, promote more intelligent practice of citizenship and secure a higher efficiency for our democracy.

6. It will prevent a sudden large influx from any new people having few, if any, representatives already among us, and restrain immigration from peoples that do not readily assimilate with our people; yet at the same time it will increasingly open the doors to those who do assimilate.

7. It will give privileges of citizenship to every individual who will properly qualify for the same.

PROBABLE EFFECT OF THE PROPOSED LAW

How is such a law likely to work out in practice? What amount of immigration would be annually admitted? The reply is that it would depend first upon the investigations and then upon judgments of the Immigration Board.

Some peoples become assimilated sooner than others. Different peoples prefer different occupations on entering the United States. In view of these two facts the Board is allowed, therefore, considerable latitude in dealing with the amount of immigration to be admitted from different peoples. In no case, however, may the Board set a figure for any given people higher than 10 per cent of the American-born children plus the naturalized American citizens credited in the Census to that people. If the Board should grant to each people the maximum sum, it is estimated that the permissible immigration from northwest Europe for the year ending 1921 would be about 1,800,000, and from south, central and east Europe about 500,000.

If, for instance, in the judgment of the Board, the total volume of labor immigration needed for the fiscal year beginning July 1, 1921, were 1,000,000, it would fix on such sums for the differ-

ent peoples as would admit the required number.

When there is manifest need for it, the Board could absolutely stop all immigration. And at any time when the need for stoppage is clearly passed, the Board could at once open the doors to let immigration in again—either in smaller or larger amounts as the ascertained facts might then seem to warrant.

It will thus be seen that on the basis of the proposed law it is not possible to make detailed statistical forecalculations of the amount of immigration that would probably be admitted annually for each people, nor of the degree of restriction that may be applied.

Exactly this is the special merit of the proposed law—it will make possible the continuous annual adjustment of the total volume of immigration to the actual and ever-changing economic conditions and even to the special needs of different areas in the United States, and yet will do it always in the light of the assimilability of each people as shown by our growing experience.

THE PROBLEM OF AMERICA'S RELATIONS WITH ASIA

One of the important advantages of the proposed immigration law is that it will solve fundamentally the problem of dealing with China and Japan. We need a method that is fair and friendly, yet one that does not endanger the Pacific Coast with a flood of immigration from Asia.

No more important and difficult problem confronts America than that of establishing the right relation with those ancient and mighty peoples across the Pacific. That ocean is to be the theater either of the friendly coöperation of the East and the West, of the White and Yellow Races, or of their fratricidal conflict and mutual

destruction. America has the fateful opportunity of deciding which it shall be. The prospect is already ominous, not to say alarming.

Of course America can not grant immigration to the industrial millions of Japan and China; but in stopping their immigration, it is of the utmost importance, nay it is imperative that our laws shall be fair and friendly, undiscriminating, free from discourtesy in word and form. We must make it clear that in our act there is no assumption of arrogant race superiority on our side nor implication of race inferiority on theirs.

When we forbid or limit immigration we should provide also that for those few Asiatics who are among us and who will remain among us indefinitely there shall be complete equality of treatment and opportunity. Anything less than this will fail to fulfill the conditions absolutely necessary for the permanent maintenance of amity and goodwill.

The proposed bill meets these various conditions. Asiatic immigration can be completely and permanently stopped, on the ground of proven non-assimilability, yet without one offensive word or phrase. Present race-discriminatory, humiliating or offensive laws and agreements will be repealed; our treaty pledges to China, now violated, will be kept. The most fundamental causes of irritation between America and Japan will be removed.

THE CHIEF OBJECTIONS

Every new proposal encounters questions and objections. This is as it should be. If the proposal can not fairly meet the questions, it is manifestly unwise and impracticable. Some questions are based on misunderstanding, some are captious, some deal with real difficulties. We may consider a few of them.

1. *Can Congress rightly surrender its legislative functions to a small Board?*

The bill does not make such a proposal. It proposes that Congress shall deal in a large and general way with the whole question, settling upon certain principles for the scientific regulation of immigration. The Board is to find out the facts and apply the principles prescribed by Congress. Its work, therefore, is one of investigation and then of administration. The procedure to be followed by the Board does not differ in principle from that of the Interstate Commerce Commission or any other administrative department or bureau of the Government. Each one has to exercise its discretion and judgment in the administration of the law. The Bureau of Immigration is doing this all the time in deciding, for instance, who are and who are not "likely to become public charges," who are anarchists, polygamists, etc. The new law only proposes a new step in the regulation of immigration. Congress by legislative act decides the principles and the procedure; the Board administers them.

2. *Is it not dangerous to create an Immigration Board with such great powers? Can any small group of men be supposed to have the knowledge and wisdom necessary for such a task?*

It is probably true that no Board can be expected to have adequate qualifications. But such a reply is not final. For the problem as a whole is not yet considered nor met. What will be the result? We must have one of the following: (1) free immigration as at present with exclusion of only those few individuals who are manifestly defective, (2) complete stoppage of all immigration, or (3) some method for regulating the volume of immigration. If the third plan is really the wise one, fair to all and safe for us, then we must ask by what agency such a method is

to be administered. We can hardly commandeer angels from heaven nor Solons from Greece. What better course, then, is there than the establishment of some such Board as is proposed?

3. *May not the proposed Board be exposed to sinister economic, racial and political influences?*

Assuredly it will be so exposed. Among the difficulties in administering our present laws these same influences are known to exist. We can not abolish them. We must have men who will not yield to them. Can a responsible group of men be found, administering great trusts who are not exposed to sinister influences? Does that fact make it unwise to give to trustees, commissions or boards such responsibilities?

It is to be remembered, however, that the proposed Board is not permitted to make sheer arbitrary decisions. It must search for facts. It must publish them. It must make its decisions in the light of the facts. What more can be asked? The make-up of the Board, however, is a guarantee of efficiency.

4. *Will not years be required to secure the requisite information? And in the meantime will not the Board have to make arbitrary decisions?*

Yes, perhaps so. In the main outlines, however, the economic situation is fairly well known already; and so too is the matter of the congestion of certain nationalities; also the degree of their Americanization. For a few years, perhaps, the decisions of the Board may be based on information that is incomplete. But as the Board operates, it will gather increasing knowledge and gain riper experience. A body of facts will be accumulated and also knowledge of the effect of its decisions on the country and on international relations. Decisions will

bring results; results will influence decisions. Gradually, as the years pass in the administration of the law, we will accumulate both knowledge and wisdom. This is indeed the whole method of human progress.

CONCLUSION

The World War ended the old world order. A new world faces America, tremendously near at hand and terrifying. Ocean barriers are no more. Space is abolished. Europe is about to pour in upon us an avalanche of race-conscious individuals filled with national passions and preconceptions.

Old Asia is waking to new life. She resents treatment that lacks courtesy and is intrinsically humiliating. She is learning to use the titanic forces of nature that have given temporary pre-eminence to peoples of European origin.

Is America to be overwhelmed by an immigration we can never Americanize? Shall we follow principles and policies in our dealings with Asia that can only end in tragedy for both the white and the yellow races?

America has an unparalleled opportunity to serve the whole world. But to do it she must remain American. She must refuse to be either Europeanized or Asiaticized. She must admit to her land no more of any people than she can Americanize. And she must find a way by which to treat all peoples and races as brothers and friends.

Both of these considerations we submit require the prompt enactment of an immigration law on the lines above described. It is better to have a Board with power to suspend immigration for a time and then readmit under wise restrictions than to adopt a law barring all immigration for a fixed term of years.

66TH CONGRESS, 2ND SESSION
H. R. 14196

IN THE HOUSE OF REPRESENTATIVES

MAY 22, 1920

Mr. WELTY introduced the following bill; which was referred to the Committee on Immigration and Naturalization and ordered to be printed.

A BILL

To amend the Acts of February 5, 1917; June 29, 1906; February 18, 1875; and May 6, 1882, creating an Immigration Board, providing for the regulation of immigration, raising the standards of naturalization, extending its privileges to all who qualify, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of the Act of February 5, 1917, "regulating immigration of aliens to and residence of aliens in the United States," is amended by adding at the end thereof the following:

"The word 'immigrant' includes any alien entering the United States not a 'transient.'

"The word 'transient' shall be construed to include aliens of the 'status or occupations' specified in section 1b (3) who enter the United States for limited periods.

"The word 'board' means the Immigration Board created by this Act.

"The term 'ethnic group' shall in each case be construed by the commission as provided for in section 1a (2)."

SECTION 1a. AN IMMIGRATION BOARD.—

(1) That an Immigration Board is hereby created consisting ex officio of the Secretaries of State, Labor, Commerce, Agriculture, and Interior, and a sixth member appointed by the President and confirmed by the Senate who shall hold his office for a term of four years or until his successor is appointed and qualified. The presidential appointee shall be chairman of the board

and shall receive, when engaged on official duty, \$40 per diem, with actual expenses of travel and \$6 per day in lieu of subsistence when absent from home on official duty. The chairman of the board shall have power to employ a permanent secretary at a salary of \$5,000 per annum and such other employees as the board may authorize, and to prescribe the salary of each.

(2) The board shall in each case define and interpret the term "ethnic group," taking into consideration questions of race, mother-tongue affiliation, nationality, and such other relationships as tend to constitute group unity.

(3) The board shall, as soon as practicable, institute a comprehensive inquiry into policies and methods of distribution of immigration, shall publish the results of the investigation in full, not later than two years from the beginning of the inquiry, and shall carry on all further work necessary to bring the approved results of the investigation effectively before the public.

(4) The board shall make such rules and regulations regarding the admission of immigrants as shall enable it fully to enforce the provisions of the immigration laws; and also the necessary rules and regulations in regard to passports, certificates, and declarations required by this Act, including such matters as certificates of official status, court records, receipt of charity funds, or other facts deemed necessary by the board.

(5) The board shall invite the secretaries of each of the States to report in January of each year in regard to—

(a) The amount of unemployment prevailing in the State the previous year as shown by the best available statistics of employment bureaus and other reliable evidence;

(b) The kinds of industries and occupations in which shortage of labor existed in said year; and

(c) The kind of immigration especially desired in that State, if authorized thereto by vote of the State legislature.

(6) The chairman of the board shall in February of each year present to the board a printed report showing:

(a) The number of alien immigrants of any given ethnic group admitted to con-

tinental United States during the next preceding fiscal year, and, so far as the figures are available, the total number so admitted of each such group in each year since 1900;

(b) The number, originally belonging to such ethnic group, who have been naturalized and were residing in continental United States as shown by the last available United States census;

(c) The number of American-born children whose foreign-born father or mother belong to any such ethnic group, and which children are residing in continental United States as shown by the last available United States census;

(d) The amount of unemployed and also of labor shortage during the preceding year, as reported by the secretaries of the different States; and

(e) The officially expressed desire of each State for specific kinds of immigration.

(7) The chairman of the board shall, upon complaint of any citizen or association, investigate the management of immigration stations at ports of entry. The Secretary of Labor shall, upon the report of the chairman of the board, take steps to correct any abuses or neglect of duty.

(8) The chairman of the board shall prepare a brief and simple statement of the rights and duties of aliens residing in the United States, which shall be printed both in English and in the various languages of aliens entering the United States, a copy of which statement in his language shall be given at the time of making the pledge of obedience to each alien over sixteen years of age, as provided in section 1d (1).

(9) The chairman of the board shall prepare or have prepared a textbook on "American citizenship" for the use of aliens seeking to qualify themselves for naturalization. It shall be simple in style, attractive in form, shall not exceed forty thousand words, and shall contain what every alien desiring to become a citizen shall be required to know concerning the history of the American people; the principles, ideals, and methods of the Government of the United States; the rights and duties of citizens and the principles and requirements of personal and public

hygiene. This textbook, when authorized by the board, shall serve as the basis upon which the courts granting papers of naturalization shall judge of the intellectual qualifications of applicants for citizenship.

SEC. 1b. ADMISSION OF TRANSIENTS.—

(1) That aliens entering the United States as transients, excepting accredited representatives and officials of foreign Governments, shall present proper passports stating among other things, the purpose of the visit and the expected length of that visit, not to exceed three years. The passports of students may specify six years as the period. Aliens possessing such passports who desire to extend the period of residence in the United States may secure permission for such extension from the Commissioner General of Immigration. The regulations providing for such extension shall be prepared by the board.

(2) Any alien entering as a transient who remains in the United States beyond the period specified in his passport without securing from the Commissioner General of Immigration permission for the extension of the period of his visit shall be taken into custody and deported according to the provisions of sections 19, 20, and 21 of the Act of February 5, 1917.

(3) Aliens permitted to enter the United States as transients must be persons of the following status or occupations:

Government officers, ministers or religious teachers, missionaries, lawyers, physicians, chemists, civil engineers, teachers or other professional persons, students provided with their own funds or guaranteed support by their own Governments or by institutions or friends in the United States, authors, artists, merchants, and travelers for curiosity, health, or pleasure, their legal wives or their children under sixteen years of age, or their personal and domestic servants who shall accompany them or who subsequently may apply for admission to the United States; but such persons with their legal wives and foreign-born children and servants who fail to maintain in the United States the specified status or occupation shall be deemed to be in the United States contrary to law, and shall be subject to deportation as provided in sections 19, 20, and 21 of the Act of February 5, 1917.

(4) Alien students who are admitted as transients shall not be regarded as having lost that status by reason of having secured temporarily some gainful occupation on condition that they maintain regular attendance in high school, college, or university, the nature of the schools to be specifically defined and the requisite regulations to be prescribed by the board.

SECTION 1c. THE ADMISSION OF IMMIGRANTS.—(1) That in April of each year the board shall determine the maximum number of aliens of each ethnic group to be admitted as immigrants to the United States during the fiscal year next following. Such determination shall be based on the report of the chairman of the board provided for in section 1a (6) and shall have regard to—

(a) The demonstrated assimilability of each ethnic group;

(b) The maintenance of American standards of living and wages;

(c) The amount of unemployment and labor shortage in the United States;

(d) The general labor and economic conditions in the different parts of the United States; whether among industrial, agricultural, domestic, or other workers; and

(e) The adaptability of each particular group to fulfill the requirements and to meet the needs.

(2) The board shall in no case set the number of admissible immigrants from any single ethnic group above 10 per centum of a basic figure composed of those of that group in the United States who were—

(a) American-born citizens whose foreign-born father or mother belong to such ethnic group and which children were residing in continental United States as shown by the last available United States census; and

(b) Naturalized citizens who were residing in continental United States as shown by the last available census.

(3) An alien of any given ethnic group returning from a visit abroad, who, before leaving for such visit, had declared his intention of becoming a citizen of the United States, shall be readmitted to the United States without reference to the amount of permissible immigration of said ethnic group as determined by the board.

(4) The Commissioner General of Immigration shall promptly send to the American consuls and also the transportation agencies in American ports which commonly bring aliens to the United States, the determination of the board as to the maximum permissible immigration for the various ethnic groups for the ensuing fiscal year, and shall make suitable arrangements for their publication both in American and foreign ports. He shall also publish a monthly statement throughout the ensuing fiscal year showing the maximum number as established by such determination by the board, of aliens of each ethnic group who may be so admitted to the United States during the current fiscal year, together with the number of aliens of each such ethnic group already so admitted during that year and shall send such reports promptly to the American consuls in all ports from which aliens commonly sail for the United States. When 75 per centum of such maximum number of aliens of any ethnic group have been so admitted for the current fiscal year, a similar statement with respect to the aliens of such ethnic group shall be issued weekly thereafter.

(5) In case of the arrival of immigrants of any given group at a port of entry after the permissible number of immigrants of such group has been admitted, they shall be refused admission, but the father or grandfather, over fifty-five years of age, the wife, mother, grandmother, unmarried or widowed daughter, or son not over sixteen years of age, sent for by any member of such group lawfully a resident in the United States, shall nevertheless be admitted. Such admissions shall be made the first charge on the permissible immigration of such ethnic group for the year next following.

(6) The board may increase at any time the maximum immigration permitted to any given ethnic group, but a notice of not less than three months must be given of a proposed decrease to be enforced during any current fiscal year, and shall make such regulations as may be deemed necessary to prevent congestion of immigration at any period of the fiscal year, to avoid inconvenience to the transportation companies, and to avoid hardships to the

immigrants, because of the provisions of this Act.

(7) Transportation agencies bringing alien immigrants who arrive after the permissible immigration of such aliens has been exhausted shall carry such aliens back to the port of debarkation free of charge. The Secretary of Labor shall prepare and authorize the rules, regulations, and penalties for the enforcement of this provision.

(8) The Secretary of Labor shall be the final judge as to the facts in the application of this Act in all cases of doubt affecting the admission of individual immigrants.

SECTION 1d. PLEDGE OF OBEDIENCE.—

(1) That every adult alien entering the United States, excepting accredited officials of foreign Governments, shall be required to file with the immigration officials at the port of entry a sworn statement printed both in English and in the language of the alien, pledging obedience to the laws of the United States and of the States in which he may reside. The form of such statement shall be prescribed by the chairman of the board.

(2) Every adult alien except transients, upon admittance to the United States, shall in such pledge or agreement declare the intention of learning the English language and of becoming acquainted with the methods of this Government and with the ideals and institutions of this country. A duplicate of this pledge shall be given to the declarant.

(3) Such pledge or agreement shall be printed upon the back of the transportation ticket issued to every alien immigrant, and a penalty of \$100 shall be incurred by and collected from any transportation company or individual engaged in the business of transporting aliens to or within the United States which shall violate this regulation after actual notice thereof from the Commissioner General of Immigration.

SEC. 2. That the first paragraph of section 3 of the Act of February 5, 1917, is amended to read as follows:

"SEC. 3. That the following classes of aliens shall be excluded from admission into the United States: All idiots, imbeciles, feeble-minded persons, epileptics, insane persons; persons who have had one or more

attacks of insanity at any time previously; persons of constitutional psychopathic inferiority; persons with chronic alcoholism; paupers; professional beggars; professional or habitual gamblers; vagrants; persons afflicted with tuberculosis in any form or with a loathsome or dangerous contagious disease; persons not comprehended within any of the foregoing excluded classes who are found to be and are certified by the examining surgeon as being mentally or physically defective, such physical defect being of a nature which may affect the ability of such alien to earn a living; persons who have been convicted of or admit having committed a felony or other crime or misdemeanor involving moral turpitude; polygamists, or persons who practice polygamy or believe in or advocate the practice of polygamy; anarchists, or persons who believe in or advocate the overthrow by force or violence of the Government of the United States, or of all forms of law, or who disbelieve in or are opposed to organized government, or who advocate the assassination of public officials, or who advocate or teach the unlawful destruction of property; persons who are members of or affiliated with any organization entertaining and teaching disbelief in or opposition to organized government, or who advocate or teach the duty, necessity, or propriety of the unlawful assaulting or killing of any officer or officers, either of specific individuals or of officers generally, of the Government of the United States or of any other organized government, because of his or their official character, or who advocate or teach the unlawful destruction of property; prostitutes, or persons coming into the United States for the purpose of prostitution or of any other immoral purpose; persons who directly or indirectly procure or attempt to procure or import prostitutes or persons for the purpose of prostitution or of any other immoral purpose; persons who are supported by or receive in whole or in part the proceeds of prostitution; persons hereinafter called contract laborers who have been induced, assisted, encouraged, or solicited to migrate to this country by offers or promises of employment, whether such offers or promises are true or false, or in consequence

of agreements, oral, written or printed, expressed or implied, to perform labor in this country of any kind, skilled or unskilled; persons who have come in consequence of advertisements for laborers, printed, published, or distributed in a foreign country; persons likely to become a public charge; persons who have been deported under any of the provisions of this Act, and who may again seek admission within one year from the date of such deportation, unless prior to their reembarkation at a foreign port or their attempts to be admitted from foreign contiguous territory the Secretary of Labor shall have consented to their reapplying for admission; persons whose tickets or passage is paid for with the money of another, or who are assisted by others to come, unless it is affirmatively and satisfactorily shown that such persons do not belong to one of the foregoing excluded classes; persons whose ticket or passage is paid for by any corporation, association, society, municipality, or foreign Government, either directly or indirectly; stowaways, except that any such stowaway, if otherwise admissible, may be admitted in the discretion of the Secretary of Labor; all children under sixteen years of age, unaccompanied by or not coming to one or both of their parents, except that any such children may, in the discretion of the Secretary of Labor, be admitted if in his opinion they are not likely to become a public charge and are otherwise eligible."

SEC. 3. That section 9 of the Act of February 5, 1917, be amended so that said section shall read as follows:

"SEC. 9. That it shall be unlawful for any person, including any transportation company other than railway lines entering the United States from foreign contiguous territory, or the owner, master, agent, or consignee of any vessel to bring to the United States either from a foreign country or any insular possession of the United States any alien afflicted with idiocy, insanity, imbecility, feeble-mindedness, epilepsy, constitutional psychopathic inferiority, chronic alcoholism, tuberculosis in any form, or a loathsome or dangerous contagious disease, and if it shall appear to the satisfaction of the Secretary of Labor that any alien so brought to the United States was

afflicted with any of the said diseases or disabilities at the time of foreign embarkation, and that the existence of such disease or disability might have been detected by means of a competent medical examination at such time, such person or transportation company, or the master, agent, owner, or consignee of any such vessel shall pay to the collector of customs of the customs district in which the port of arrival is located the sum of \$200, and in addition a sum equal to that paid by such alien for his transportation from the initial point of departure, indicated in his ticket, to the port of arrival for each and every violation of the provisions of this section, such latter sum to be delivered by the collector of customs to the alien on whose account assessed. It shall also be unlawful for any such person to bring to any port of the United States any alien afflicted with any mental defect other than those above specifically named, or physical defect of a nature which may affect his ability to earn a living, as contemplated in section 3 of this Act, and if it shall appear to the satisfaction of the Secretary of Labor that any alien so brought to the United States was so afflicted at the time of foreign embarkation, and that the existence of such mental or physical defect might have been detected by means of a competent medical examination at such time, such person shall pay to the collector of customs of the customs district in which the port of arrival is located the sum of \$25, and in addition a sum equal to that paid by such alien for his transportation from the initial point of departure, indicated in his ticket, to the port of arrival, for each and every violation of this provision, such latter sum to be delivered by the collector of customs to the alien for whose account assessed. It shall also be unlawful for any such person to bring to any port of the United States any alien who is excluded by the provisions of section 3 of this Act because unable to read, and if it shall appear to the satisfaction of the Secretary of Labor that those disabilities might have been detected by the exercise of reasonable precaution prior to the departure of such alien from a foreign port, such person shall pay to the collector of customs of the customs district in which the port of arrival is

located the sum of \$200, and in addition a sum equal to that paid by such alien for his transportation from the initial point of departure, indicated in his ticket, to the port of arrival, for each and every violation of this provision, such latter sum to be delivered by the collector of customs to the alien on whose account assessed. And no vessel shall be granted clearance papers pending the determination of the question of the liability to the payment of such fines, or while the fines remain unpaid, nor shall such fines be remitted or refunded: *Provided*, That clearance may be granted prior to the determination of such questions upon the deposit of a sum sufficient to cover such fines: *Provided further*, That nothing contained in this section shall be construed to subject transportation companies to a fine for bringing to ports of the United States aliens who are by any of the provisions or exceptions to section 3 hereof exempted from the excluding provisions of said section."

SEC. 4. That the fourth proviso in the third paragraph of section 3 of the Act of February 5, 1917, is amended to read as follows:

"*Provided further*, That skilled or domestic labor, if otherwise admissible, may be imported if labor of like kind unemployed can not be found in this country, and the question of the necessity of importing such skilled or domestic labor in any particular instance may be determined by the Secretary of Labor upon the application of any person interested, such applications to be made before such importation, and such determination by the Secretary of Labor to be reached after a full hearing and an investigation into the facts of the case; *And provided further*, That the board shall, as to domestic labor, prescribe the conditions and safeguards under which such importation may be had: *And provided further*, That if imported aliens of any given ethnic group arrive after the permissible number of immigrants from such ethnic group has already been admitted, they shall nevertheless be admitted, but such admissions shall be charged against the permissible immigration of said ethnic group for the following year."

SEC. 5. That section 19 of the Act of

February 5, 1917, is amended by adding in the eighteenth line after the words "at any time after entry," the following words:

"Any alien who shall be found to be a professional or a habitual gambler, any alien who shall be found to own, rent, or lease premises used as a place of gambling, and any alien employed in any capacity in connection with a place of gambling."

SEC. 6. That the first five lines of section 29 of the Act of February 5, 1917, are amended to read as follows:

"Sec. 29. That the President of the United States is authorized, in the name of the Government of the United States, to call an international conference, to assemble not later than the year 1922, and in his discretion, not oftener than decennially thereafter, at such point as may be agreed upon, or to send special commissioners to any foreign country, for the purpose of regulating by international agreement."

SEC. 7. That the fourth paragraph of section 4 of the Act of June 29, 1906, entitled "An Act to establish a Bureau of Immigration and Naturalization and to provide a uniform rule for the naturalization of aliens throughout the United States," is amended so as to read as follows:

"Fourth. It shall be made to appear to the satisfaction of the court admitting any alien to citizenship that immediately preceding the date of his application he has resided continuously within the United States five years at least, and within the State or Territory where such court is at the time held one year at least, and that during that time he has behaved as a man of good moral character, attached to the principles of the Constitution of the United States, and well disposed to the good order and

happiness of the same. It shall also be made to appear to the satisfaction of the court that said alien is able to speak the English language as specified in section 8 of the Act of June 29, 1906, is able to read and understand the textbook on citizenship authorized by the Immigration Board, as provided for in section 1a (9), of this Act, and accepts the ideals and principles therein persented. In the case, however, of aliens who show themselves qualified in all other respects and who on entering the United States were already thirty-five years of age or over, or who during their residence in the United States did not live in places providing aliens with facilities for acquiring the English language, the requirement of ability to read the English language may be waived at the discretion of the court. In addition to the oath of the applicant, the testimony of at least two witnesses, citizens of the United States, as to the facts of residence, moral character, and attachment to the principles of the Constitution shall be required and the name, place of residence, and occupation of each witness shall be set forth in the record."

SEC. 8. That the Act of February 18, 1875, amending the Act of July 14, 1870, is amended to read as follows:

"The privilege of citizenship by naturalization is open to every alien who fulfills all the intellectual, moral, and technical requirements of the law."

SEC. 9. That this Act shall take effect and be enforced on and after its passage. All prior acts, or parts of acts inconsistent with any provision of this Act, or with any treaty obligations of the United States of America, are hereby repealed on and after the taking effect of this Act.

Book Department

REVIEWS

LOWIE, ROBERT H. *Primitive Society*. Pp. viii, 463. Price, \$3.00. New York: Boni and Liveright, 1920.

The author, an ethnologist, connected with the American Museum of Natural History of New York, is entirely correct in his opening claim that students of the social sciences have long felt the need of a concise and accurate account of the culture of the peoples we call primitive. The reviewer, a teacher of Sociology, is one of a large group who are grateful to Dr. Lowie for his service in writing this book.

Beginning with marriage and the family, the author continues his account of social organizations, through the various kinship groups and other forms of associations to property, government and the administration of justice. In all places many illustrations are given from the four quarters of the earth. The reader is shown the wonderful wealth and diversity of social forms. The reader of the entire book will be quite willing to accept the author's view that social evolution has not followed any given course. The attempts of the research students to explain the phenomena are critically stated and discussed. The layman, indeed, may think that the author spends too much time in this fashion and wish that he had stated his own explanations with less attention to the opinions of others. Taking all things into consideration, the author has been wise in his choice of method. Although the mass of detail will bring its own difficulties to the reader, the author's thought is always clear. Technical expressions are abundant, as might be expected, and unless the reader is pretty familiar with ethnological terms the dictionary will be needed.

Dr. Lowie has performed a real service in making clear how complex the life of more primitive peoples of today is. We have been so accustomed to think of the savage as leading an extremely simple life that it is well for us to realize how many and varied the social relations are into which he enters. It is well to be told in this convincing fashion that in countless cases the bread and butter question is not the dominant influence in his life. We might have been spared many one-sided historical theories had the authors been more familiar with the facts given by our author. In my judgment this book will be found extremely helpful and valuable.

CARL KELSEY.

University of Pennsylvania.

NOTES

FRIDAY, DAVID. *Profits, Wages and Prices*. Pp. iv, 256. Price, \$2.00. New York: Harcourt, Brace and Howe, 1919.

This book covers the extraordinary growth of profits during the war period, the uses to which profits were put, the trend in the rate of interest and wages, the division of the products among those who have shared in bringing them forth, the trend of prices since the Armistice, the effect of the new taxes on prices and how real wages may be raised.

The author marshals his facts with skill. His style is interesting and all that he has to say important. It is very refreshing to find such a sane presentation of matters at a time when all those who want somebody else to pay the taxes are spending huge sums in propaganda to get their ideas across.

FRIEDMAN, ELISHA M. *America and the New Era*. Pp. xxx, 500. Price, \$6.00. New York: E. P. Dutton and Co., 1920.

This book attempts to deal with all the complex problems facing the reconstruction period. The authors of the various articles making up the chapters in the book have been chosen with care and the topics are timely. Among the contributors are Frederic C. Howe, Mary Van Kleeck, Francis G. Peabody, Charles B. Davenport, Graham Taylor, Graham Lusk and the Editor of the volume, Elisha M. Friedman.

HUNT, GAILLARD AND SCOTT, JAMES BROWN (Editors). *The Debates in the Federal Convention of 1787 Which Framed the Constitution of the United States of America, Reported by James Madison*. Pp. xcvi, 731. Price, \$4.00. New York: Oxford University Press, 1920.

The contents of this book are perforce expressed in its title. The names of the editors, Gaillard Hunt and James Brown Scott, are sufficient guarantee of the care with which Madison's record has been edited.

The Madison papers comprise the original manuscripts of Madison's notes and transcripts of them. This reprint is from the original manuscripts and changes in the transcript are noted in footnotes. In the interest of accuracy the

copy was collated with the original manuscript twice, each time by different persons, before it was sent to the printer. Galley and page proof were similarly compared with the original manuscript. There is a detailed index of about thirty pages.

KEMMERER, EDWIN WALTER. *High Prices and Deflation*. Pp. 86. Price, \$1.25. Princeton, N. J.: Princeton University Press, 1920.

This is a succinct, scholarly and valuable analysis of the relation between inflation and high prices and of the process of deflation. It is a handbook that should be in the reach of those who want to get concise tables and a balanced yet forceful discussion of the groups affected by inflation and by deflation.

McCOLLUM, E. V. and SIMMONDS, NINA. *American Home Diet*. Price, \$3.50. Detroit: Frederick C. Matthews Co., 1920.

Dr. McCollum is the dean of the new school of nutrition experts in the United States. This book is a discussion of what we eat with menus for lunch and dinner for every day of the year including breakfast for the first three months of the year.

ROUTZAHN, MARY SWAIN. *Traveling Publicity Campaigns*. Pp. xi, 151. Price, \$1.50. New York, Russell Sage Foundation, 1920.

This book is the forerunner of many books of its kind because of the growing importance of campaign methods. Campaigning with trains, motor vehicles and exhibit cars are discussed with essential advance publicity and follow-up work.

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OF THE
AMERICAN ACADEMY OF
POLITICAL AND SOCIAL SCIENCE

The International Trade Situation

*This Volume is Edited
by*

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IMPORTANT NOTICE TO MEMBERS

Twenty-fifth Annual Meeting of the American Academy of Political and Social Science

Philadelphia

Friday and Saturday, May 13 and 14, 1921

General Topic:

THE PLACE OF THE UNITED STATES IN A WORLD ORGANIZATION TO MAINTAIN PEACE

The Twenty-Fifth Annual Meeting will partake of the nature of a national conference on the most important problems now confronting the people of the United States. The Officers of the Academy are most anxious to make this occasion the opportunity for a general reunion of the members of the Academy from all sections of the country. The Annual Meeting will give to members of the Academy the opportunity to become acquainted with one another and to place themselves in closer touch with the Academy's activities. It is important, therefore, that the members of the Academy make their arrangements to be in Philadelphia on Friday and Saturday, May 13 and 14. The Committee in charge of the Annual Meeting is most anxious to have definite word from members of the Academy and will appreciate it if they will send word to the Academy's office, West Philadelphia Post Office Station, Philadelphia, Pa., indicating their plan to attend.

An outline of the tentative program of the meeting will be found on the fourth cover page of this volume.

Full details of the Meeting will be sent to all members of the Academy who indicate their intention to attend. An early reply is requested.

L. S. ROWE, *President.*

American Academy of Political and Social Science,
West Philadelphia Post Office Station,
Philadelphia, Pa.

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FOREWORD

THE primary purposes held in view in collecting the papers for this volume have been to present the facts and conditions of international trade as it has developed since the signing of the armistice; to point out the present problems of foreign trade development, particularly as applied to American foreign trade; and to discuss those broad policies of organization for foreign trade and of government control of commerce which affect the growth of international trade and the commercial relations between nations. That these questions are not all fully treated in this volume it is unnecessary to say. The limitations of space as well as the difficulties of securing contributions at a given time from a wide range of authorities make this impossible. Nevertheless, it is believed that the papers here assembled will fulfill the general purposes indicated. They not only will give the reader a picture of the present international trade situation, but also will help in clarifying, if not in solving, some of the problems that now face the individual foreign trader and the nation itself in its international trade relations.

Part I is descriptive of international trade as it has developed in the United States and in other parts of the world since the signing of the armistice. With many differences in the nature of trade developments in different countries, two facts stand out clearly from reading these articles: First, the intense development of foreign trade during the period following the armistice, and the attempts to adjust it to the new conditions created by the war; and, secondly, the strenuous efforts being made by various governments either to regain or to maintain and ex-

pand their overseas trade. This latter point is further emphasized by other articles, especially by Professor Tisdal's article in Part III and Mr. Wallace's article in Part IV.

Part II considers the present outlook for American foreign trade from two points of view: first, in the light of the new international position of the United States as a creditor nation, and secondly, in relation to our own economic development and the opportunities for American expansion in world markets. With enormous sums owed to the United States, with exchanges in most of the important world markets greatly depreciated in respect to the United States, with an American mercantile marine second only to Great Britain's, it is evident that the maintenance of American foreign trade is dependent upon, not restriction, but encouragement of the import trade, not only from the raw-material producing countries of the world but from the industrial countries of Western Europe as well. The great barrier to the flow of our export trade at present is the difficulty of financing it. The solution of that difficulty depends upon many factors, but one of the most fundamental is the maintenance of a growing import trade.

That the opportunities for trade with the rest of the world are almost unlimited, no one can doubt. The needs of the older developed countries are pressing needs and, in addition, great undeveloped regions are just approaching the threshold of modern economic expansion. That the United States, with its vast resources and its actual and potential capacity for production, is needed by the rest of the world to help supply the materials for

the world's economic growth is as true as the fact that the United States needs the supplies and the markets of the rest of the world for the sake of its own internal economic advancement. Export trade, import trade and domestic industrial expansion are dependent each upon the others.

In Part III are described typical examples of the efforts that are being made through organization for promoting and conducting foreign trade. Some of these activities are strictly governmental; others are strictly private; some are private with varying degrees of government aid or encouragement. Some of this attempt at organization is based upon an intense nationalism, seeking control or monopoly of trade in certain commodities through combination. It is modeled—in some cases almost exactly copied—from the German methods that, supposedly, were discredited by the outbreak of the Great War. At the other extreme are such organizations of business men as the International Chamber of Commerce, and American Chambers of Commerce in foreign countries that aim, among other things, to secure a greater amount of international understanding and coöperation among commercial interests.

In Part IV are discussed those large

policies of governments that seek to regulate international trade in the interest of national industrial and commercial development. The growth of the intense nationalism, that seems always to follow war, has resulted in a strong movement, almost if not quite universal, that seeks, through import and export tariffs and discriminations of one kind or another, either to regain a lost position or to maintain advantages that the war conditions gave to certain nations. Some of these movements are legitimate attempts to promote trade, but many of them are a reversion to policies and practices which have long been regarded as outworn and obsolete. The nature of these policies are discussed, the dangers that threaten international trade relations through some of the schemes now proposed are pointed out, and constructive suggestions are made by which these dangers may be avoided and at the same time national well-being maintained.

The Editor is greatly indebted to the many contributors for their coöperation in planning this volume as well as for their generous assistance in carrying out the plan.

G. B. ROORBACH.

Editor in charge of Volume.

The Foreign Trade of the United States Since the Signing of the Armistice

By SIMON LITMAN

Professor of Economics, University of Illinois

THE abnormal conditions resulting from the War and the slowness with which the world is recovering from its saturnalia of destruction are clearly reflected in the foreign trade statistics of the United States. Whether one considers our foreign trade from the angle of the relationship between quantities and values of goods shipped or from that of the excess of exports over imports, whether one views it from the standpoint of the character and the direction of the commodities moved or from that of the methods used in financing shipments, one must conclude that the world in its industrial life is yet under the shadow of the Great War. The turbulent waves set into motion on the seas of international commerce have not yet subsided, and the movement of goods and of payments is yet far from what one would expect it to be in an era of peace and prosperity based upon an intelligent utilization of the natural resources in the various regions of the globe.

Four years of exaltation and of agony, of fear and hope, of hatred and devotion, four years of roaring cannons and of bursting shrapnel have left Europe, the main workshop of the world, wounded, dazed, incapable of quickly returning to the sustained effort and the humdrum existence of mill and factory towns. Those who expected that with Germany's acknowledgment of defeat a new industrial Europe would immediately emerge from the ruins of the old one proved poor economists and poorer psychologists.

It is somewhat difficult to foretell at present how soon a normal basis in our commercial intercourse with foreign nations will be reached. However, certain tendencies are beginning to manifest themselves which corroborate the contentions of those who have been pointing out the utterly artificial character of our trade development since the memorable days of August, 1914.

GROWTH OF EXPORT TRADE

The rapid growth in the value of our foreign commerce which commenced in 1915 and continued through the war was not checked by the cessation of hostilities. During the year ending June 30, 1919, our exports were valued at \$7,232,282,000 and our imports at \$3,095,720,000, giving us a total of \$10,328,002,000 as contrasted with a total trade of \$8,865,367,000 in 1918 and \$4,258,505,000 in 1914. The excess of exports over imports, the largest in the history of the country, equalled \$4,136,563,000; the excess in 1918 was \$2,974,056,000 and in 1914, \$470,653,000.

One of the main characteristics of our trade in 1920 was a rapid advance in the value of imports; they rose to \$5,238,622,000, which represented an increase of \$2,142,902,000 over the previous year. Exports rose during the same period to \$8,111,040,000 and the total trade to \$13,349,662,000. Because of a much more rapid advance in the value of imports than of exports our so-called "favorable" balance of trade declined to \$2,872,418,000.

That the high peak in our excess of exports over imports has been reached

and passed may be inferred from the fact that for eleven months ending November, 1920, our exports equalled \$7,508,424,000 and our imports \$5,013,299,000. Preliminary estimates of our foreign trade for the calendar year 1920 place the exports at about \$8,191,000,000 and the imports at approximately \$5,468,000,000, leaving a balance in our favor equal to \$2,723,000,000; the balance of trade in the calendar year 1919 was \$4,016,000,000, or 48 per cent above that of 1920. This decline in the excess of exports over imports may be hailed as one of the most satisfactory developments in our commercial relations with foreign countries; only through such a decline, if it is carried far enough, shall we, as a creditor nation, be able to place our foreign commercial intercourse on a sound business basis.

A study of our foreign trade by groups according to use and degree of manufactures shows that finished products ready for consumption occupy at present the most prominent place in our exports; the exports of this group advanced from \$724,908,000 in 1914 to \$2,384,018,000 in 1919, and \$2,835,999,000 in 1920; in percentages of the total the advance was from 31.11 per cent to 33.66 per cent and 35.67 per cent; during the eleven months ending November, 1920, the exports of manufactures ready for consumption rose to \$2,898,000,000 or 39.3 per cent of the total.

The value of exported crude materials for use in manufacturing advanced from \$792,716,000 in 1914 to \$1,226,486,000 in 1919 and \$1,968,118,000 in 1920. Crude materials played a more important rôle in our pre-war exports than in the exports of 1919 or 1920; they constituted 34.03 per cent of the total in 1914, 17.32 per cent in 1919 and 24.75 per cent in 1920.

Exports of foodstuffs in crude con-

dition and food animals increased from \$137,495,000 or 5.9 per cent of the total in 1914 to \$719,340,000 or 10.16 per cent in 1919; this was followed by a decline to \$626,577,000 or 7.88 per cent in 1920; during the eleven months ending November, 1920, the exports in this group advanced to \$826,000,000 or 11.2 per cent. The sharp advance in the exports of foodstuffs, partly or wholly manufactured, carried the figures from \$293,218,000 or 12.59 per cent of the total in 1914 to \$1,783,567,000 or 25.19 per cent in 1919 and \$1,514,616,000 or 19.05 per cent in 1920; a considerable decline took place during the eleven months ending November, 1920, which brought down the exports to \$1,028,000,000 or 13.9 per cent.

Manufactures for further use in manufacturing advanced from \$374,224,000 in 1914 to \$953,036,000 in 1919 and \$991,921,000 in 1920; they constituted 16.06 per cent of total exports in 1914, 13.46 per cent in 1919 and 12.48 per cent in 1920; during the eleven months ending November, 1920, the exports in this group declined to \$888,000,000 or 12.1 per cent.

UNITED STATES' IMPORTS

Turning to imports, one finds that crude materials for use in manufacturing advanced from \$632,866,000 or 33.42 per cent in 1914, to \$1,250,711,000 or 40.4 per cent in 1919 and \$2,141,645,000 or 40.89 per cent in 1920; the imports in this group declined to \$1,684,000,000 or 33.6 per cent during the eleven months ending November, 1920.

Imports of foodstuffs in crude condition and food animals rose from \$247,947,000 in 1914 to \$376,223,000 in 1919 and to \$622,440,000 in 1920; there was a slight decline in the relative importance of this group; it dropped from 13.09 per cent in 1914 to 12.15 per

cent in 1919 and 11.88 per cent in 1920; the decline continued through the calendar year of 1920, bringing down the absolute figures for eleven months ending with November to \$535,000,000 and the percentage of the total to 10.7. A marked increase took place in the value of our imports of foodstuffs partly or wholly manufactured; the advance carried the value from \$227,644,000 or 12.02 per cent in 1914 to \$456,237,000 or 14.74 per cent in 1919, \$891,336,000 or 17.02 per cent in 1920 and \$1,185,000,000 or 23.6 per cent for the eleven months ending November, 1920. Our imported foodstuffs include such commodities as tea, coffee, cocoa, sugar, bananas, pineapple, coconuts, sago and tapioca. While these foods can not be considered as essential to our existence, they have become just as indispensable in the daily diet of our people as rubber, jute, raw silk and many other tropical products have become indispensable in our industries. We are likely to increase our domestic supply of some of these commodities but, largely because of lack of a suitable climate, we shall continue to draw upon the tropics for them.

The imports of manufactures for further use in manufacturing grew from \$319,275,000 or 18.86 per cent of the total in 1914 to \$605,806,000 or 19.57 per cent in 1919 and \$800,713,000 or 15.28 per cent in 1920. Imports of manufactures ready for consumption were affected by a disorganization of European industries. In 1914, imported manufactures were valued at \$449,318,000 and constituted 23.72 per cent of our total imports; in 1919, their value was \$393,223,000 or 12.7 per cent. The gradual recuperation of Europe is indicated by the rise of our imports in this group to \$745,126,000 or 14.22 per cent in 1920, and to \$821,000,000 or 16.4 per cent for eleven months ending November, 1920.

SHIPMENTS OF WAR SUPPLIES DECLINE

With the signing of the armistice came a marked decline in our shipments of war supplies; thus, the exports of refined copper fell from \$235,000,000 in 1918 to \$118,000,000 in 1919, the exports of steel billets from \$165,000,000 in 1918 to \$77,000,000 in 1919, the exports of explosives from \$373,890,000 in 1918 to \$122,731,000 in 1919.

The decline of our shipments of war supplies was more than counterbalanced by a rapid rise in our shipments of foodstuffs and raw materials to the devastated countries of Europe. While in November, 1918, we exported to Europe goods valued at \$297,363,000, by January, 1919, exports to that continent rose to \$370,479,000, and by June of the same year to \$644,604,000. Europe was clamoring for our goods and was willing to pay any price for them as long as we were willing to extend her credits. Shipments to Europe were stimulated partly by our desire to feed the hungry and to help the allies in their work of reconstruction and partly by large profits which we were making on our sales. These increased shipments after the cessation of hostilities were made possible by the discontinuance or modification of war-time restrictions on trade and by the release of a large amount of shipping space previously employed by the military forces. Our total exports to Europe rose from \$3,732,174,000 in 1918 to \$4,644,937,000 in 1919, most of the increase having occurred since the armistice. European demand continued unabated throughout 1920, our exports in that year having reached the figure of \$4,864,155,000. These are figures for the fiscal year.

A material falling off in our exports to Europe took place during the eleven months ending November, 1920; the decline brought our exports down to

\$4,078,584,000, as contrasted with \$4,765,537,000 for the eleven months ending November, 1919. One of the reasons for this decline was a marked falling off in our exports of meat and dairy products, Europe beginning to draw more and more upon her own resources and upon countries other than the United States. During the eleven months ending November, 1919, our shipments of meat and dairy products were valued at \$1,044,083,000, while during the same period in 1920 we exported these products only to the extent of \$491,107,000; this represents a decline of 55 per cent. The gradual recuperation of Europe is also indicated by the falling off in the value of our exports of finished commodities, especially consumers' goods, in favor of raw materials, partly manufactured goods, and finished producers' goods, such commodities as tools, implements, machinery, mineral oil, etc.

The rise in the value of our imports from Europe after the signing of the armistice was slight at first. Imports increased from \$20,418,000 in November, 1918, to \$21,816,000 in January, 1919, and to \$53,385,000 in June of the same year. Total imports from Europe declined from \$895,603,000 in 1914 to \$411,578,000 in 1918 and \$372,957,000 in 1919; in 1920 they advanced to \$1,179,461,000 or more than triple the imports for the previous year; for the eleven months ending November, 1920, our receipts from Europe equalled \$1,160,414,000. In connection with the increase of importations from Europe it is worth while to note that a part of this increase has been due not to the reestablishment of European industries but to the resumption of British merchandising activities, England rapidly regaining her former position as an intermediary; thus, out of \$524,021,000 of goods which came to us in 1920 from the British Isles, about one-

half consisted of British re-exports of such commodities as rubber, wool, fur, raw cotton and tin.

EFFECT OF WAR ON EUROPEAN EXPORTS

The disastrous effect of the war on European exports to the United States may be inferred from the fact that while in 1914 our imports from Europe constituted 47.2 per cent of our total imports, in 1919 they represented only 12.2 per cent; and in 1920 there was a rise to 22.6 per cent. Europe's recovery is beginning to be felt in our markets as well as in the other markets of the world; and in the not too distant future, European competition is likely to become an important factor in international commerce.

The changes in our exports and imports by Grand Divisions, are shown in the accompanying table.

The figures show that outside of Europe our best customers were our neighbors of the North American continent; it is also from them that we draw a great many of our foreign supplies. Our total trade with North America rose from \$2,340,728,000 in 1919 to \$3,122,273,000 in 1920 and \$3,341,657,000 during the eleven months ending November, 1920. The fall in prices will doubtless adversely affect the value statistics of this trade as it will affect also the value statistics of our total commerce, but the amount of our imports and exports to and from Canada, Cuba and Mexico is not likely to decline. One of the reasons for the growth of this trade is to be found in the recent investments of American capital in these countries; such investments will not be withdrawn; on the contrary, they will, in all probability, be increased.

The showing of our trade with South America is not as satisfactory as that with North America, though a

EXPORTS

	1914	1919	1920	11 months ended November, 1920
<i>To</i>				
Europe.....	\$1,486,499,000	\$4,644,937,000	\$4,864,155,000	\$4,078,584,000
North America.....	528,645,000	1,288,158,000	1,635,813,000	1,767,391,000
South America.....	124,540,000	400,646,000	490,944,000	556,614,000
Asia.....	113,426,000	604,721,000	798,137,000	716,788,000
Oceania.....	83,568,000	208,622,000	193,235,000	239,977,000
Africa.....	27,902,000	85,157,000	128,756,000	149,070,000

IMPORTS

<i>From</i>				
Europe.....	\$895,603,000	\$372,954,000	\$1,179,461,000	\$1,160,414,000
North America.....	427,399,000	1,052,570,000	1,486,460,000	1,574,266,000
South America.....	222,677,000	568,375,000	860,944,000	725,138,000
Asia.....	236,952,000	830,904,000	1,368,699,000	1,222,898,000
Oceania.....	42,144,000	190,008,000	157,892,000	183,758,000
Africa.....	19,149,000	81,066,000	185,196,000	146,828,000

certain improvement is noticeable for the calendar year 1920; our exports to that continent advanced from \$490,944,000 for the twelve months ending June, 1920, to \$556,614,000 for the eleven months ending November of the same year. We have not developed the markets of Argentine, Brazil, Peru, Chile and other South American republics as well as we might have done especially in view of the fact that our imports from these countries have grown considerably during the past few years; the excess of our imports over exports reached in 1920 the sum of \$350,000,000. Neither have we increased our exports to Asia in proportion to the growth of our dependence upon that continent for its products; our exports to Asia in 1920 were \$798,137,000 while our imports equalled \$1,368,699,000, representing an excess of imports over exports equalling \$570,562,000. Thus, while we have been piling up enormous balances in our favor in Europe, we have been ac-

cumulating liabilities in other parts of the world.

Our investments in Asia and South America are too small as yet to view the excess shipments as representing payments of interest to us, and while some of these shipments may have been made in fulfilment of European obligations, the proportion of such shipments was comparatively small. One must not overlook the fact that the financing of American exports to Europe by the Government did not end with the war. At the time of the signing of the armistice the credits extended to the allies were \$8,500,000,000 out of \$10,000,000,000 appropriated by Congress for that purpose. The extension of government credit continued until the total sum appropriated was reached. This occurred in the middle of 1919. Since then private interests took upon themselves the financing of sales. The extent to which our credits to European customers have been stretched may be realized when

one reflects that during the two years since the termination of the war Europe's debt to us increased by about \$8,000,000,000, of which \$3,500,000,000 represents a floating debt, largely open book accounts. Our shipments to Europe have been kept up month after month and year after year without any serious consideration of the ability of European purchasers to meet their obligations. We have thus accumulated a large volume of book credits with little likelihood of their being liquidated within a reasonably near future.

The abnormal growth in the value of our commerce during the war was due largely to a rise in prices. Measured in terms of quantity our gains in exports and imports were considerably smaller than value statistics indicate. Price inflation continued after the signing of the armistice, prices of many commodities having risen above the war level. It is only recently that price declines have set in. Value statistics of the post-war commerce of the United States are thus just as misleading as indicators of the actual movement of goods as were value statistics for the years 1915-1918.

Mr. O. P. Austin in the October, 1920, issue of *The Americas* compares the quantity and value of exports and imports for 1914, the fiscal year just preceding the war, with 1920, the first year of peace. By using those commodities for which both weight and value are stated in governmental returns, he arrives at the following results: While the weight of our imports increased from 34,992,000,000 pounds in 1914 to 57,978,000,000 pounds in 1920 or 65.6 per cent, the value of these imports rose from \$1,163,000,000 to \$3,999,000,000 or 243.9 per cent; the weight of exports rose from 110,409,000,000 in 1914 to 148,693,000,000 in 1920 or 34.6 per

cent; the value rise was from \$1,667,000,000 to \$5,474,000,000 or 225 per cent. If one applies the 1914 prices to 1920 quantities, one obtains as the value of imports in 1920, \$1,977,000,000 and the value of exports, \$2,308,000,000. Assuming that a similar relation of 1920 prices per unit of quantity occurred in those articles in which weights are not shown, Mr. Austin arrives at the conclusion that the total domestic exports of 1920, the value of which was \$7,950,000,000, would, if stated in 1914 prices, have amounted to only about \$3,340,000,000, and the total imports would have amounted at the same valuation to \$2,600,000,000 instead of \$5,239,000,000.

REASONS FOR OUR "FAVORABLE" BALANCE OF TRADE

Those who have been viewing with apprehension our recent large excesses of exports over imports and who have been asking themselves the question as to how such excesses may be reduced, will derive some comfort from the knowledge that one of the reasons for our "favorable" balance of trade may be found in the fact that the rise in prices of the articles exported by us was much greater than the rise in prices of the articles imported. Our imports were mostly from areas not affected by the war and they consisted mostly of commodities which were not necessary for military purposes, while the majority of our exports were goods urgently needed; first, to carry on the conflict, and then to feed the starving millions of Europe and to assist in the rehabilitation of their industries.

Urgency of demand, coupled with limitation of supply, forced the prices of our export goods sharply upwards. It was only after the signing of the armistice that many of the import prices went up anywhere in proportion

to the advance in export prices. While our shipments, especially those to Europe, were large, it is nearer the truth to say that excessive export

prices and not excessive exports were mainly responsible for the top-heavy condition of our war and post-war commerce.

The International Trade Situation in Canada

By COL. JOHN A. COOPER

Canadian Government Representative in New York

CANADA'S international trade history is that of a long struggle against what seemed to be the logic of the situation. The Canadian pioneer struggled bravely to transform a forest-clad land into a garden. It was a supreme struggle with nature and nature's intentions. So the Canadian trader who desired to do business with foreign countries had to overlook geographical considerations and take his wares long distances overseas. If he could have had unimpeded access to the United States market and had that market been able to absorb his surpluses, his task would have been easy. But politics, tariffs and similarity of products decreed that it must be otherwise.

In the first twenty years of Confederation, 1868 to 1887, Canada exported goods to the value of \$1,460,000,000 of which \$665,000,000 went to the United States and the remainder to the rest of the world. Of her total sales, only 45 per cent went to the large neighboring market. The remainder, or 55 per cent, had to be sent overseas. In those days the distances to foreign markets were farther than today, because the ships that carried the goods were smaller and slower.

In the next twenty years, 1888 to 1907, the same tendency is evident. There had been talk of "reciprocity" with the United States, but the McKinley Tariff of 1890 dealt that idea a staggering blow. In 1897, the Cana-

dian people definitely made up their mind that their political and economic safety lay in developing the markets of the British Empire rather than the markets of the United States. In the twenty-year period, 1888 to 1907, Canada's exports were divided as follows:

United Kingdom	\$1,551,809,000
United States.....	1,029,600,000
Other countries.....	268,304,000
Total.....	\$2,849,713,000

In this period, the sales to the United States fell to 38 per cent and those to the rest of the world grew to 62 per cent. Canada was definitely launched on a non-continental policy. The world, not the North American continent, was to be her chief market.

During the following eleven years, 1908 to 1918, a great war occurred and the shipments of munitions to Great Britain made the tendency even more marked. The unusual circumstances make the figures interesting, but prevent the drawing of any definite conclusions. They are:

	1908-1918 (inclusive)
United Kingdom	\$3,283,023,000
United States.....	1,861,883,000
Other countries.....	818,601,000
Total.....	\$5,963,507,000

During this period, only 31 per cent of Canadian exports went to the United States.

EFFECT ON SHIPPING

One great effect of this policy of across-the-sea trading is found in the growth of Canadian shipping and in a comparatively wide knowledge of maritime problems. In 1902, about twenty thousand vessels entered and cleared at Canadian ports. The ownership of these was divided as follows:

	Ships	Tons
British.....	4,363	6,865,924
Canadian.....	11,413	1,937,227
Foreign.....	14,530	14,731,488

This proportion has been well maintained, as the returns of sea-going vessels entering and clearing Canadian ports in 1918-1919 given in the following table will show:

	Ships	Tons
British.....	6,099	14,054,166
Canadian.....	11,115	3,758,528
Foreign.....	15,132	7,448,699

Since these figures were compiled, the government has undertaken to build and maintain a Canadian merchant marine which will increase the percentage which her own tonnage bears to the total tonnage entering her ports. The policy adopted is quite different from the shipping policy of the United States, though the aim is akin. The *Canadian Government Mercantile Marine*, an incorporated company in which the Government is the sole stockholder, has been projected with a definite plan for the creation of a fleet of seventy vessels. About forty of these are already in commission. Regular services have been established with England, the West Indies, Brazil and Australasia. At present all traffic is confined to freight, although some vessels on the West Indian route are being reconditioned to admit of the carrying of a limited number of passengers. The general policy is to use these boats as auxiliary to existing privately-owned

lines and to develop such new routes as seem desirable in the interests of Canada's export trade.

CANADIAN IMPORTS

Naturally Canada's purchases abroad have been affected by the across-the-sea trading policy which necessity forced her to adopt. When vessels go abroad, they must have return cargoes. Canada attempted to secure these return cargoes by giving British manufacturers a preference in respect of customs duties. This was done in 1897. Ten years later, a treaty was made with France whereby French goods were given a tariff which was "intermediate" between the preferential tariff on British goods and the general tariff which applied to other countries. Under this French Tariff certain favored nations were also entitled to these "intermediate" rates. Three years later, 1910, a similar arrangement was made whereby the intermediate tariff was extended in part to Belgium, the Netherlands and Italy. In 1913, a preferential arrangement was made with the British West Indies. This was further extended in 1920.

Between 1888 and 1907, Canada imported goods to the value of \$1,744,000,000 from the United States out of a total of \$3,160,000,000, or 55 per cent. In the eleven years, 1908 to 1919, Canada's purchases from the United States were valued at \$4,898,000,000 out of a total of \$6,959,000,000, or 70 per cent.

Of Canada's total imports in 1914, the United States supplied goods to the value of \$395,565,000, as compared with a total from all countries of \$618,457,000, or 64 per cent. Similarly, in 1920 (year ending March 31), the United States sold Canada \$801,605,000 out of the total Canadian imports of \$1,064,516,000, or 80 per cent. This figure will probably never be exceeded,

as Europe is rapidly regaining that portion of Canadian trade which was lost during the Great War.

RECENT TENDENCIES

Canada had been five years in the war and her imports had been greatly restricted. When peace came at the end of 1918, people felt free to buy goods that they had long wanted or now required in order to develop their natural industries. Imports at once began to show a considerable expansion in certain lines of staples and luxuries, accompanied by a steady decline in purchases of raw materials for war products. The total figures do not indicate these changes, but an analysis does. Imports of textile products, for example, grew from \$154,000,000 in 1917-1918 to \$234,000,000 in 1919-1920. Metals and their products, non-metallic minerals and their products showed a decline. Vegetable products made a decided increase from \$146,000,000 to \$237,000,000. The United States, being the one country with unlimited goods for export, got the benefit of this increased demand for manufactured goods.

The latest twelve-month returns available for Canada's purchases by countries show some remarkable changes in the post-war period:

of supplying 80 per cent of Canadian purchases, it will return to its normal position of about 60 per cent. The United Kingdom, France, Belgium, Holland and Italy are sure to regain much of their trade with Canada which was lost during the war.

During the war period Canada, for the first time in her history, piled up an excess of exports over imports. For the five years ending March 31, 1920, that favorable balance of trade amounted to \$1,718,586,000. During 1920, however, imports rose faster than exports, and Canada finished the year with a small unfavorable balance.

CANADA'S FUTURE EXPORTS

Canada has become a great foreign trader. Its imports per capita are nearly three times as large as those of the United States, while its exports are nearly double per capita. The explanation of this would require much space to discuss. Its enormous natural resources are comparatively easy of access, though its territories are broad. It has the greatest railway mileage in the world for its population. As has been indicated, its shipping is proportionately large and its people have been accustomed through half a century to foreign trading. Because it has much to sell, because it has the

CANADIAN IMPORTS BY COUNTRIES Twelve Months Ending September

<i>From the :</i>	1918	1920
United States.....	739,459,000	919,367,000
United Kingdom.....	70,569,000	217,228,000
Cuba.....	1,790,000	35,173,000
France.....	4,118,000	19,840,000
British East Indies.....	16,775,000	19,607,000
British West Indies.....	7,639,000	16,839,000
Belgium.....	7,472	3,343,000
Netherlands.....	689,912	3,462,000

If this tendency continues, as it is reasonable to assume it will, the United States will lose its predominant position in Canadian imports, and instead

machinery for selling those products in the world's markets and because its people are frugal and thrifty, Canada will also be a great purchaser of foreign

goods. The Canadians can not equal the British stock from which they sprang in maritime and commercial skill, but it is questionable if they are excelled in this respect by any other nation.

An analysis of what Canada exports will deepen conviction on this point. The variety of goods sent out to the world is distinctly impressive. A few figures of the exports for the twelve months ending September, 1920, may be quoted in evidence:

Wheat.....	\$182,000,000
Paper.....	89,000,000
Iron and Steel.....	62,000,000
Flour.....	61,000,000
Lumber etc.....	124,000,000
Pulp.....	73,000,000
Animals, living.....	42,000,000
Fish.....	40,000,000
Bacon and Ham.....	42,000,000
Butter.....	18,000,000
Cheese.....	40,000,000
Coal.....	18,000,000
Furs.....	18,000,000
Textiles.....	19,000,000
Vegetables.....	16,000,000
Automobiles.....	18,000,000

Canada not only sells food from the land, food from the water, furs and timber from the forest, minerals from her mines, but she also exports manufactured goods in the form of flour, bacon, paper and textiles which have already achieved some reputation. Quite recently her export of manufactures passed the half billion mark. What she most requires is a more scientific organization of her selling machinery, and an accumulation of capital which will enable her to extend larger credits to foreign purchasers.

HER FUTURE IMPORTS

In the future Canada's import trade will witness a growth proportionate to the growth of the country's industries. There are certain commodities which Canada can not produce, notably in

the case of cotton and certain other raw materials, and for the supply of which Canada is wholly or in part dependent upon foreign countries. These commodities will continue to be imported in increasing volume because Canada's development as a manufacturing country will necessitate a larger importation of raw materials. Although Canada has vast resources of coal, iron and steel, these have not yet been fully developed; Canada therefore imports these commodities in large quantities; but the tendency in the future will be for these imports to decrease gradually. Canada is primarily an agricultural country yet there is a steady increase in the importation of certain produce and foodstuffs which can not be grown in Canada. Climatic conditions and the severity of the winters also render certain kinds of production in Canada impossible for a period of a year, and therefore make the importation of particular foodstuffs necessary.

Canada buys beans from the United States to the value of \$700,000; corn from the same country costing \$10,000,000; rice from British Guiana and Japan to the value of \$2,000,000; sago and tapioca from the British East Indies; sweet biscuits from Great Britain; cereal foods in packages from the United States and macaroni and vermicelli from various countries.

With the greater prosperity of the people the demand for certain kinds of manufactures, not produced in Canada, which may be classed as "luxuries" or "non-essential" commodities is likely to increase.

A summary of the principal articles imported into Canada in the twelve months ending September, 1920, indicates the nature and extent of Canada's imports:

Iron and Steel.....	\$193,000,000
Cotton.....	127,000,000

Sugar and Molasses.....	\$95,000,000
Wool.....	89,000,000
Coal (Anthracite).....	33,000,000
Coal (Bituminous).....	43,000,000
Silk.....	42,000,000
Vehicles.....	35,000,000
Breadstuffs.....	29,000,000
Chemicals.....	26,000,000
Hides and skins.....	22,000,000
Rubber.....	21,000,000
Flax, Hemp and Jute.....	19,000,000
Tobacco.....	16,000,000
Leather.....	16,000,000
Furs.....	14,000,000
Tea.....	11,000,000

Canada's total import trade for the twelve months ending September, 1920 was \$1,325,767,940. The value of Canada's export trade for the same period was \$1,208,919,000.

Canada has still much to learn about foreign trade. The proposed establishment of an Empire bank to stabilize exchange between the United Kingdom and the British Dominions would undoubtedly be helpful. The customs

preference now being given by the United Kingdom on motor cars, musical instruments, wines and a few other products from the overseas Dominions may be extended in the near future. Other preferential arrangements may develop. In markets, which are not British, Canada must meet the competition of the world. This requires special machinery in the nature of exporting corporations, steamship facilities and banking arrangements.

Much of Canada's exports is now sold through New York exporting houses, but Canadian export companies are growing in number and strength. Two of the leading Canadian chartered banks have agencies in Cuba, British West Indies, Mexico and South America. The number of steamers engaged in foreign trade is increasing. As all these features expand, Canada will probably maintain the record which she has already made as a reliable and energetic foreign trader.

The International Trade Situation in South America

By WILLIAM C. WELLS

Chief Statistician, Pan American Union

TO appraise the present status of South American international trade it is necessary that we have a correct understanding of what this trade was before the war, what had been its development and what its tendencies were. More than all we must understand what was its economic base. Four-fifths of the trade was with the countries that took part in the Great War; nine-tenths, if we do not count the non-competitive and the interstate trade. The war produced temporary changes in the currents of South American trade and industry and some of these may prove to be permanent.

Complete returns for working out the percentages of 1920 can not yet be assembled, but partial reports make it certain that no material change in the current of trade has occurred since January 1, 1920.

Before the war about two-thirds of South America's exports were to Great Britain, the United States, Germany and France. Leaving out the interstate frontier exports, which are only in a technical sense international, practically the whole export trade was to the United States and Western Europe and nearly 90 per cent to the four countries mentioned. It could not be otherwise, for these were the great manufactur-

SOUTH AMERICAN TRADE WITH PRINCIPAL COUNTRIES

Year	<i>Imports from</i>				Total for the four countries
	Great Britain <i>Per Cent</i>	France <i>Per Cent</i>	Germany <i>Per Cent</i>	United States <i>Per Cent</i>	
1912.....	28.27	8.74	18.65	15.97	71.63
1913.....	27.98	8.77	18.51	16.41	71.67
1914.....	28.60	7.09	16.88	17.60	70.17
1915.....	23.85	4.88	...	29.87	58.60
1916.....	23.61	5.17	...	38.23	67.01
1917.....	19.44	4.48	...	43.85	67.77
1918.....	22.10	4.35	...	37.65	64.10
1919.....	20.15	3.53	0.30	41.92	65.90
<i>Exports to</i>					
1912.....	22.91	8.81	13.31	20.98	66.01
1913.....	24.31	9.05	13.95	17.61	64.92
1914.....	28.39	7.55	9.93	25.64	71.51
1915.....	25.33	8.12	...	28.91	62.36
1916.....	15.43	11.17	...	36.00	62.60
1917.....	22.82	10.27	...	42.19	75.20
1918.....	28.44	9.38	...	34.07	71.89
1919.....	23.45	13.53	0.20	34.40	71.58

ing countries which alone could utilize the raw industrial products of South America. Europe, especially Great Britain, was the locality where the raw food products were required.

On the other hand, South America needed manufactures of all kinds. Outside of a few food deficiencies in certain countries, supplied in the main by neighboring countries, the only imports of South America were of manufactures, so that the countries to which their raw products went were the same and the only countries from which the imports came, or could come.

The war produced certain changes in the distribution of exports and imports, but it did not and could not alter the essential fact that the United States and Western Europe were the only sources from which South America drew its needed supplies and the only markets wherein to sell its produce. Here and elsewhere in this article Canada is viewed as an economic extension of the United States (or of Great Britain, if one so chooses).

If the war had gone to the extent of producing a débâcle of social and economic organization in the United States and in England, France, Belgium and other countries of Western Europe, all the countries of Latin America would have been thrown back upon themselves. There would have been no market for the sale of their produce, nor any competent to supply their needs. But the war did not produce such an effect, and we who are optimists do not believe that it will, notwithstanding what has happened in Russia and the partially disorganized state of Germany. Yet the war did to a certain extent throw Latin America back on its own resources, but not to any great degree nor so much as is generally believed. It was difficult to secure all that was needed even at the advanced prices. Some things at times were not procurable at all and the market for some products, coffee and nitrate for example, was at times restricted. The result was to give a stimulus to manufacture, especially of

textile goods, and to lessen production of exportable products when markets were restricted. But neither increased manufacture nor decreased agricultural and mining production assumed more than minor proportions. The large movement was the other way towards stimulated agricultural and mining production and an increasing dependence on the United States and Western Europe for manufactured products.

In the main these demands were met. South America increased, as far as it could, the exportation of food of the same kinds it had always exported, but—and this is the more significant fact—it began the exportation of foods it had not theretofore exported or produced, such as beans and dairy products, and it extended the area of its meat and grain production. The war gave a start in South America to a more diversified agricultural and grazing industry. In fact, the impulse was and is felt in all of its industries. But on the whole, the effect was not, and will not prove to be, any weakening of the interdependence of South America on one side and the United States and Western Europe on the other. Rather the two sides have become to a larger degree, complementary.

In the distribution of the trade there were many changes. Germany and the countries of the German group were shut off, not, of course, because of any economic fact or reason, but by the stern decree of the allied and opposing powers who ruled the Seas. Not all the German trade was shut off, a very considerable trickle passed back and forth through Holland and the Scandinavian countries. However disturbing this last fact was to the war offices of the Allied powers, it in no way affected the economic situation of South America.

Many factors enter into the problem whether a country, or a great section

of the world is self-sustaining, or may become so in the event of great stress such as the war brought about. Under modern conditions no locality, not even the most inaccessible portion of the globe, is strictly speaking self-sustaining. Civilization tends towards making the world more and more interdependent. Nevertheless, certain countries could maintain a more or less even tenor of individual life although an impenetrable curtain were dropped to shut them off from all the rest of the world. Such a country is the United States or China. In a lesser degree Germany and France under the same condition might maintain their industrial and social civilization without radically destructive changes.

On the other hand, the whole foundation and superstructure of industrial and social life of Great Britain or of Argentina would be uprooted and cast down if the country were thrown back upon itself. A very little reflection will show the soundness of the observation and account for what at first glance may appear a fanciful grouping of the United States and China, and Great Britain and Argentina. Among the highly developed industrial countries, especially of high manufacturing development, the United States is, in the matter of self-dependence, at one pole and Great Britain and Belgium at the other, with France and Germany between. Among the undeveloped or slightly developed countries, and again with special reference to manufacturing industry, China is in the main independent because its standard of living has not yet advanced to the point of requiring much of what it does not itself produce. Like the United States it is independent, but for a different reason. South America is like England in that it has built its house upon the foundation of having and using what it does not produce. It is also like England in

that it produces large excesses of the things which it does produce. In the matter of dependency on foreign trade, therefore, South America stands with England, although its industry is the exact antithesis of England's.

To have shut South America off during the war would have caused almost as disastrous an effect there as would have been caused in England had Germany succeeded in maintaining an impenetrable submarine cordon around the British Isles. It would, when the reserve stock of foreign goods was exhausted, have thrown all South America back to the stage of primitive agriculture, living from hand to mouth. Large production would have ceased, the mines not have produced, the herds of cattle would have starved or wandered away to the forest, the wheat and corn lands would have lain fallow, coffee plantations would have grown to brush, the cities would have emptied, the railroads would have ceased to operate and only the simple handicrafts would have functioned; for the mines, the great herds of cattle, horses and sheep, the broad stretches of waving corn, wheat, flax and oats, the thousands of miles of green coffee trees in rows, the plantations of cacao, the mountains of rubber gathered from the forests, the innumerable bales of hides, skins and wool that crowd the docks all exist and have been called into being to supply a foreign demand. A tithe or a tithe of a tithe of these things would supply South America's own needs, but none of them, nor all together, respond to the need for machinery, tools, railway supplies, hardware and the thousand and one other articles of modern civilization which South America must have but does not make and can not improvise.

The war threw into high relief the dependency of South America on foreign trade, incoming and outgoing, but

it did not alter or appreciably decrease this dependency. What little it gained in independency by enlarged manufacture was more than offset by increased production of the exportable products. Furthermore, it is more than doubtful whether increasing manufacture in South America at the present time, or for a long time to come, does or will lead to a lesser dependence on foreign imports. It broadens the field, creates a demand for more tools and appliances, and for raw material as in the case of cotton. Especially does it create a demand for the secondary materials of manufacture, the trimmings, the fastenings, the ornamentation, the chemicals, in short, all of what one may call the fluxes of manufacture.

Not only did the war not lessen the dependency of South America on foreign trade; it did not radically upset the destinations and derivations of this trade. At the most it was a shifting within identical groups. The chief and only considerable source of South American imports was the group of the United States, Great Britain, France, Germany and Belgium, and this group was the same that received South American exports. In general, Spain, Italy, Austria, Holland, the three Scandinavian countries and all others appearing in the statistical tables as having a part in South American trade did not enter seriously into the problem of competition. Either their trade was specialized, or it was small, or it was transit.

With all the members of the chief group engaged in a life and death struggle that taxed and strained to the utmost their resources, it might have been expected that the countries of the second group, who remained neutral, would have captured the South American trade. Such has been the result of past wars and such some persons antici-

pated would be the result of this war. These persons failed in understanding that while Sisyphus might roll a great stone it was Atlas alone who could bear the burden of the world. Spain, Holland and the other neutrals did not capture South American trade simply because they could not carry the load. They had not the industrial plant sufficient to handle more than a very small fraction of South American produce, nor could they from their own production supply the volume and almost infinite variety of South American imports. They had not the skill, the organization, the material, nor the personnel for such an undertaking. Their industries were constituted to meet lesser requirements. They did increase their trade up to the limit of the possible, but the chief increase was a more or less disguised transit trade to the belligerent countries of the main group.

The chief effect of the war was a shifting within the main group. Belgium entirely and Germany almost entirely were shut off. Imports from England and France decreased, and exports of food products to the same countries remained the same or increased. Exports of industrial raw materials to France and England decreased. The slack in every case was taken up by the United States. What the other members of the group, including Germany and Belgium, or what the neutral group could not supply the United States did. What they could not buy, it bought. There was much talk in Europe and in South America of unfair advantages taken. Here there was a complementary and provocative outcry from a like class that may be epitomized in one phrase: "Now is our opportunity." In truth on both sides it was puerile chatter having no regard to the actualities of the case. The war threw all international selling to the

passive side. He who had goods to sell did not need to cry his wares. The buyer came to him. South America, which had always been both a passive seller and a passive buyer, remained passive as to selling, but it became active as to buying. Not only South America but all the world was in the mad rush to buy. Argentino, Briton, Frenchman and Hollander, armies, navies, government boards, civilians, all were in a scramble to buy, buy. The seller, he who had, was in the saddle, all others trailed at his bridle rein. He was not thinking of "opportunities" in the future. His opportunity was the present and he drove it to the limit. At the end the one enduring thought that remained in the mind of the buyers was resentful. This is why South America now cries loudly for the return of German trade. It feels that although it was not in the war it has been made to pass through the Caudine Forks.

The resentment is chiefly towards the United States but in a lesser degree toward England. The angry feeling will cool, but it exists and must be reckoned with. South America will come to appreciate the fact that the same causes that drove the prices up on what it had to buy also drove them up on some things it had to sell. It will understand that economic dependence is correlative.

Before the war the exports of the twenty Latin American republics to the United States (in 1913, \$478,000,000) was not far from being equal to the exports to both Great Britain and Germany (\$330,000,000 and \$192,000,000). Leaving out the exports of meat and grain from Argentina and Uruguay, which the United States did not need and which therefore did not enter into the competitive trade, and leaving out also the interstate trade, the exports of industrial raw materials (including wool, hides, tallow and

other by-products of the meat industry, and including also tropical foods, cane sugar, coffee, cacao, fruits, etc.,) to the United States were greater than the exports to Great Britain, Germany and France combined. After the close of the war (1919), France remained at about the same proportion and the United States and Great Britain to-

not and is not nearly so great. Although on the export side it took more of South American industrial raw material and tropical foods than did England and twice as much as did Germany, yet it was behind England in the whole export field and only 25 per cent ahead of Germany, and on the import side it was behind both countries.

SOUTH AMERICAN INTERNATIONAL TRADE

Exports to (000 omitted)

	United States	Great Britain	Germany	France
1913.....	\$222,225	\$281,988	\$162,026	\$104,971
1919.....	\$760,546	\$518,410	.....	\$299,232

Imports from (000 omitted)

	United States	Great Britain	Germany	France
1913.....	\$167,523	\$285,555	\$188,900	\$89,520
1919.....	\$563,457	\$270,923	.....	\$47,599

gether had taken over exports to Germany increasing their proportions to this extent but not changing their relative standing to each other, about 2 to 1.

On the import side before the war (1913) for the twenty countries, the United States and Great Britain ran nearly together (United States, \$331,000,000; Great Britain, \$323,000,000) with German about two-thirds of the British, and French one-half the German trade. At the close of the war, imports from the United States stood three and one-half times the imports from Great Britain (1919, United States, \$1,011,548,000; Great Britain, \$294,313,000).

The preponderance of the United States in South American trade was

The German trade for 1919 was inconsiderable and in many cases not statistically differentiated.

Allowance must be made in comparing the figures of 1913 and 1919 for advances in prices. On a quantity basis 222 millions and 760 millions of exports compare about 1 to 2. So in imports 167 and 563 represent, not 1 and 3½, but about 1 and 2½.

Since the war South America has exported a much larger percentage of its products to the United States, and it also has exported more to England and to France. But it has decreased its imports from the last mentioned countries and makes up the difference in very much larger imports from the United States.

British Foreign Trade Promotion

By P. HARVEY MIDDLETON

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AN increase of seventy-eight per cent in total British exports for the ten months ended October, 1920,

is eloquent testimony to the efficiency of the machinery for the promotion of foreign commerce which has been

quietly created by the British Government and the British trader during the past few years. Powerful organizations, aided by numerous subsidiaries, with headquarters in London, and with branches, agencies or traveling representatives abroad, coöperating with British banks overseas and with government "trade scouts," are making life interesting for their foreign competitors.

An excellent example of these new organizations is the British Trade Corporation, formed in 1917 for the expansion of British trade in every part of the world, and for the granting of long term loans to exporters. The British Trade Corporation has created a network of subsidiary companies which are operating successfully in the Near East, Latin America, Africa, the Balkans and Russia. Among these subsidiaries and affiliations may be mentioned the Trade Indemnity Company, which insures foreign credits; the South Russia Banking Agency; the Portuguese Trade Corporation; the Anglo-Brazilian Commercial and Agency Company; the Levant Company; J. W. Whittall and Company, of Constantinople, and the National Bank of Turkey. The British Trade Corporation is doing business either directly or through subsidiaries in South Russia, Brazil, Portugal, Jugoslavia, Rumania, Bulgaria, Mesopotamia, Greece, Egypt, Turkey, Asia Minor and the Sudan.

Another new British organization is the Anglo-Danubian Association for the promotion of trade between the Austro-Hungarian Succession States and Great Britain and her allies. The P. and O. Banking Corporation, with branches in all the ports reached by the P. and O. steamship lines, the Anglo-Baltic and Meriterranean Bank, the British Overseas Bank, the Anglo-South American Bank, the National

Bank of South Africa and similar British banks in other parts of the world, provide adequate banking facilities, credit and trade information. The African and Eastern Trade Corporation (now merged with the soap firm of Lever Brothers) is a recent amalgamation of a number of British firms which have been identified with the African trade for many years. This corporation now operates a chain of trading stations across the African continent, and in Syria, Palestine, Persia, Rumania, Bulgaria, Malaysia, Egypt and China.

The temporary elimination of German competition in China during the war was an incentive to increased efforts for the extension of British trade in China. As a result of conferences in Peking some months ago, followed by largely attended meetings in the London headquarters of the Federation of British Industries, a Chinese-British Trade Corporation has been formed to develop industrial and other undertakings in China. Under the charter granted by the Chinese Government, British traders will be able for the first time to develop industrial areas in China outside the treaty ports. The creation of this new corporation may well prove to be a landmark in British relations with the great Chinese Republic.

The chief rôle of the corporation will be to provide the organization, skilled management, business methods and knowledge of foreign markets which the Chinese lack. The Chinese on their part will supply capital (of which the mandarin and merchant classes have large reserves), knowledge of local conditions, mining and other rights and political influence. The corporation will have four Chinese and four British directors, all with equal voting power, to be elected by the shareholders. The corporation

will enjoy obvious advantages in the matter of cheap raw materials and labor. From the purely British point of view, it might seem undesirable to educate and organize Chinese industries for the manufacture of articles which would perhaps compete with British goods in the markets of the world. It was felt, however, that if British manufacturers hesitated to establish branch factories in China it was certain that Japanese, American and German manufacturers would do so. It is believed that every British controlled factory in China will serve as a valuable feeder for British trade in other directions.

The Federation of British Industries is the latest and most important development of the Trade Organization movement in the United Kingdom. For many years past the manufacturers in many of the leading industries of the country have experienced the advantages to be gained by coöperation and association for the protection of their common interests in organizations devoted to their particular trades. The exigencies of war-time conditions added impetus to this movement and led to a large increase in the number of trade associations, with the result that practically every industry and the majority of trades within each industry now have associations to assist and foster the manufacture of British goods.

For this scheme of organization to be complete, it was seen that British manufacturers and producers required the coördinating assistance of a national association, which would concentrate and weld together the efforts which each trade exerted through its trade association, so that manufacturers might be enabled to speak and act in a manner commensurate with their strength and importance. The national needs during the war, and,

still more, the problems which would have to be faced when the war was over necessitated the formation of a strong central organization, representative of British manufacturers and producers as a whole.

These considerations led to the inauguration of the Federation of British Industries in the summer of 1916. The support of the leading manufacturers and producers in the country was at once given to the new body, and it rapidly succeeded in establishing itself as the only organization which could claim to represent the views of the manufacturing section of the community as a whole. In the short period of four years, it has enrolled no fewer than thirteen hundred direct members, including some two hundred trade associations, and is in direct or indirect touch with at least twenty thousand British manufacturers, covering every industry in the country. The Federation is governed by a grand council of two hundred and eleven members, including the leading men in all industries.

This large membership has been accelerated by the absorption in the Federation of other bodies having similar or cognate objects. Early in 1917, the Employers' Parliamentary Association merged its identity in that of the Federation. Twelve months later, the Central Council of Associations of Controlled Establishments—an organization formed to watch the interests of firms which were under government control during the war—handed over its functions to the Federation of British Industries, and on the conclusion of the war, the Overseas Organization of the Federation absorbed the British Manufacturers' Corporation, an organization of three hundred firms which had been established to develop British trade in foreign countries.

The organization abroad consists of commissioners in Greece, Turkey, the East Indies, Spain, Portugal, Algeria, Brazil, Scandinavia, Italy, Holland, Australia, New Zealand and Canada. In addition, there are correspondents in Argentina, France, Cuba, Mexico, Finland, South China, Japan and Egypt. While it is a private organization, there is scarcely a subject of industrial interest dealt with by the British Government upon which the assistance of the Federation is not sought. Among its other activities, the Federation organizes exhibitions of British goods in foreign countries, such as the Athens Exhibition in 1919; invites foreign delegations such as the missions from Jugoslavia, Czechoslovakia, Chile, Spain, etc., to visit England as guests of the Federation, and takes them on a tour of the principal cities. The Federation compiles an Export Register which contains classified lists of its members.

There is at the present time in every important branch of industry in the United Kingdom an increasing tendency to the formation of trade associations and combinations, having for their purpose restriction of competition and the control of prices. Many British associations have already been formed, which deal with raw materials or intermediary products, and there are others which have to do with finished goods. These associations occupy a prominent position in the iron and steel, ship-building, electrical, chemical, soap, tobacco, silk, salt, cement and textile industries.

Sir R. V. Vassar Smith, Chairman of Lloyd's Bank, expressed the opinion of the British bankers toward this movement in a speech in which he declared that:

The day of small industries on individual lines is gone. Our manufacturers and traders must organize for united effort.

This will have the closest bearing on questions of finance. An unstable unorganized industry is the despair of bankers. An industry organized on large lines has seldom lacked financial support in England.

The various committees of the British Board of Trade, formed to investigate specific trades, all urged the necessity for powerful industrial combinations.

In order to render the best possible service to British traders under the changed conditions resulting from the war, a new government department known as the Department of Overseas Trade was formed in 1918 by the British Foreign Office and the British Board of Trade jointly. The function of the department is to assist and advise the British commercial and industrial community in the work of reconstruction and the promotion of foreign trade. It is represented in every quarter of the globe, from the remote islands of the Pacific to Paris and New York. The overseas service is divided into main parts, one of which, the Trade Commissioner Service, deals with the British Empire. There are trade commissioners in Canada, Newfoundland, Australia, New Zealand, South Africa, East Africa, India, British West Indies, and in the Straits Settlements. Closely associated with them in their work are the imperial trade correspondents, who are located at important centers throughout the Dominions and other British possessions. In foreign countries the department is represented by the Commercial Counsellors and Secretaries, and by the consular officers, who are located at practically every port and important commercial center throughout the world.

Special efforts are made by the Department of Overseas Trade to assist and entertain important foreign visitors to England. For example, the brother of the King of Siam and the

Commissioner of Siamese State railroads were conducted recently by an officer of the department to a number of important plants throughout England; as a result, substantial orders have been placed. Representatives of the "Hangya" Coöperative Wholesale Society of Budapest arrived in England in August, 1920, to make purchases on behalf of the Hungarian Minister of War. They bought two hundred and fifty thousand yards of khaki cloth valued at £140,000. Due to the efforts of the British Trade Commissioner, the representatives of an important British electrical company, who had recently visited New Zealand, secured the first and most important post-war contract placed by the New Zealand Government for the first section of railroad to be electrified.

It has been well said that, while to

other countries foreign trade is a convenience or a luxury, to England it is an absolute necessity. In only one of the raw materials vital to her industries—coal—is there a surplus in the United Kingdom. All the others—ores, fibers, timber and oils, as well as cereals and meats—Great Britain is obliged to import either wholly, or in the greater proportion, and the necessity for paying for them requires a large and ever-increasing export trade. Great Britain is today determined to recapture the trade won from her in pre-war days by the Germans, and, although she is compelled to resume her financial and industrial rôle with enormously increased burdens, she takes up the commercial struggle with the great advantage of having to learn very little about the conditions under which it can be successfully prosecuted.

The Revival of Belgian International Trade

By HARRY T. COLLINGS, PH.D.

University of Pennsylvania, Former United States Trade Commissioner of Belgium

THE opening of the world war in 1914 found Belgium actively engaged in international trade. With an area one-fourth that of Pennsylvania, Belgium was the most densely populated country in the world, if one compares entire countries only. For decades before the war the population had been increasing at the rate of about one per cent a year, with a policy generally avowed of relying less and less on their native soil for support and development.

Foreign trade is and has been the life blood of Belgium. For years before the war the people gave increasingly less attention to agriculture and more to manufacture. No other country depends so largely upon its manufacturing industries. It must export to

live. The kingdom is poorly endowed with raw materials; nevertheless, the road to national prosperity seemed to lie in the direction of manufacturing products for exportation, while increasingly larger quantities of food-stuffs were imported. In the calendar year 1913, Belgian per capita imports amounted to \$127.59 and exports to \$94.85, which may be compared with our per capita imports of \$17.94 and exports of \$24.66 for the fiscal year 1913.

Briefly, it may be said that Belgium imported coal, ores, cotton, wool, hides, rubber, lumber and chemicals, and turned them into products more or less finished. Germany was the best customer, followed in order by France and Great Britain; these three countries

also supplied the largest quantity of goods in return, France leading, followed by Germany and Great Britain.

Belgium took practically no part in international trade from August, 1914 to 1919. And for some months after the armistice her participation in foreign commerce was limited to the purchase of foodstuffs and raw materials to replace depleted stocks, with very little selling, pending the manufacture of these materials into finished or semi-finished products.

In the rehabilitation of Belgian international trade, one thing became apparent early in 1919, namely, the lack of national organization for resuming such relations. German control of export organizations had been practically complete previous to 1914; and this monopoly of Belgian imports and exports, especially the latter, had been left in the hands of foreigners with apparent complacency. Belgian importers and exporters had made little effort, and expressed little interest in assuming control of their trade relations with other parts of the world. Two things were evident—that Germany had lost her commercial grip in the country and that Belgian business men must build up for themselves a complete foreign trade organization. The Belgian Government and the business men at once manifested a keener interest in the conduct of international commerce. Little was known of the methods of foreign trade organizations, since only eight concerns of importance had had branches in foreign countries. German agencies at Antwerp had cared for foreign connections so thoroughly that more than one American, when inquiring about Belgian goods previous to 1914, had addressed his letter to "Antwerp, Germany."

In July, 1919, a special official commission was appointed to advise concerning the best means of establishing

an organization for the control of international trade to and from Belgian borders. This commission advocated an association of affiliated industries for export organization, extensive courses in commercial education, enlargement of the merchant marine, and the establishment of a Government publication giving foreign trade information. Special attention, too, was given by the commission to improvements in credit extension for the promotion of foreign trade, and the recent practices of American banks were looked upon with approval. Commercial attachés or similar Government officers in the foreign field were to supplement the home organization.

Probably none of the countries at war resumed normal economic activity more readily than Belgium. Farmers began more or less normal cultivation with the spring of 1919, and the crops of that year were nearly up to the average pre-war production. The resumption of industrial activity too was remarkable. It must be said, however, that this was interrupted rather than destroyed during the war. The section of the country actually devastated was small, and located chiefly in agricultural Flanders. While much machinery was destroyed or removed from manufacturing plants from 1914 to 1918, the plants themselves were often not destroyed. Belgian coal mines produced at the lowest ebb during the war about 65 per cent of their normal annual production. With this economic situation one may compare the plight of France, where scores of square miles in the industrial heart of the country were devastated to a degree that beggars description.

The revival of Belgian industry and foreign trade since the war has not been hindered solely by damaged plants or missing machinery. It has been partly due to continued scarcity of raw mate-

rials, to depreciated exchange, to labor difficulties and to transportation problems.

Belgium formerly imported quantities of coal and ores to operate her industries, cotton and wool for her textile establishments, and large quantities of chemicals for various plants. Without these there can be little progress. The reestablishment of national industries was hampered in 1919 by lack of fuel. Previous to the war, the country exported 5,000,000 tons of coal a year, which, being anthracite, was consequently unsuited to industrial uses in the country. The average pre-war importations of coal, amounting to 10,000,000 tons, were of the bituminous type best suited to steel making and other industrial uses. This came largely from Germany before 1914.

During 1919, practically no coal came into Belgium from this source except the shipments stipulated by the Peace Conference and these were sometimes irregular and insufficient. Almost the entire Belgian imports of coal during the first six months of 1919 came from England. Coal production at the end of 1919 had become nearly normal and the total annual production for 1920, as estimated on the basis of actual production figures for the first half of the year, has been given as 22,073,712 tons, as compared with a production in 1913 of 22,846,000 tons. But this still leaves the country sadly in need of industrial fuel.

Depreciated exchange added untold difficulties. Prices for raw material and machinery had doubled or trebled during the war period, but with this rise in prices all nations had to contend. When, however, materials and equipment had to be purchased by a franc, whose exchange value abroad had dropped from 19.3 cents to 12, 10, 8 and 6 cents, the difficulties in the way of foreign purchasing became insuper-

able. The year 1920 brought little, if any, improvement in this low exchange value of the Belgian franc.

By the very irony of economic fate Belgium found herself unable to purchase from her recent allies, England and the United States, and at the same time invitingly beckoned to her enemy, Germany. Owing to the extreme depreciation of the German mark in foreign exchange, Belgium found she could purchase of her recent enemies at much lower prices than in any other country. Indeed, in 1919, millions of francs' worth of machinery, dyestuffs and other materials were imported into Belgium from beyond the Rhine. In the German territory occupied by Belgium a special commission was organized to put their merchants into connection with German firms and many successful transactions were initiated.

But industrial difficulties were found within the state. The war left Belgian labor as dissatisfied as elsewhere in the world. In February, 1919, it was estimated that 700,000 were unemployed in the kingdom; by July of that year this number had been reduced to 350,000, but unrest was prevalent. Labor was dissatisfied with the pre-war working day of nine or ten hours; insistent demands for an eight-hour day had to be met by a compromise. Many industrial enterprises found operating conditions unbearable. Throughout the first half of 1920 this condition continued, due often to lack of raw material, lack of capital or because no orders were received for goods. By June, 1920, however, it was reported that in the more important industrial establishments of the country about 93 per cent of the number employed in 1913 were then at work.

Belgium has definitely reestablished her position in foreign trade. The present commerce of the country exceeds in value that of 1913. In the

nine months ending September 30, 1920, Belgian commerce, including imports and exports of gold and silver, amounted to nearly 15,000,000,000 francs. Exports during this period were valued at 3,784,345,000 francs more than those for the corresponding period in 1913, and imports exceeded those for the same period by 4,798,033 francs. Even when allowance is made for inflated values, this is a very creditable showing. Exports of manufactured goods during the first three quarters of 1920 were by quantity almost double those of the corresponding period of 1919, and the total value of this export trade from January to September, 1920, was more than six times as great as during the corresponding period of 1919.

Many industries are back on their feet in international competition. Late in 1919, iron and steel manufacturers succeeded in underbidding their foreign competitors in cast steel and similar products. England has ordered large shipments of cast metal from Belgian producers. The output of window glass, which the country exports extensively, at the close of 1919 was approximately one-half of that prior to the war. Doubtless this production would have been greater, had not wages been 150 per cent above pre-war rates. Similar conditions prevail in the plate glass industry, wage increases in that field being about 125 per cent above the 1913 level.

The war has not revolutionized Belgian foreign trade. The continued success of the country's exchanges with other nations rests upon an intelligent utilization of an industrious population in the field where Belgian industry has proven its worth; that is, in the iron and steel industries, in the manufacture of railway equipment, in the coarser textiles, glass, electrical apparatus and firearms, as well as in those

specialized processes by which pre-war Belgium sent wool, hides, flax, linen, cotton, zinc, rubber and dyes into the stream of the world's commerce as semi-finished products.

Germany is no longer a fertile source for supplies of raw materials and has ceased to rank among Belgium's best customers. Belgium is now turning to the United States, England and South America for many products, and can profitably extend her markets in the Orient, especially in China, and throughout Latin America to absorb those products which Germany can no longer afford to purchase. Without question, however, the economic ties which bound Belgium and Germany will eventually renew an active interchange of products. Purse strings are woven with strands of economic advantage, not sentiment.

In some respects Belgian foreign trade of the future may surpass that of pre-war days. The country is a natural gateway for the sea-borne commerce of many European states. Germany, which formerly handled and controlled this transit commerce, will doubtless have an appreciably smaller share in this for years to come. Much of this trade can be made to pass through Antwerp. Already a port of no mean importance, it has the pivotal position which may make it the port of entrance or departure for much of the foreign trade of Germany, Austria, Hungary, Switzerland and Russia. To reach this pivotal position in the international trade of the Belgian hinterland, effort must be definitely concentrated upon the improvement of port facilities at Antwerp.

A national interest must be aroused to make Antwerp one of the great ports of the world with adequate wharfrage, storage and equipment to handle and store the largest shipments. Concentration in this line would mean the

relinquishment of ambitions on the part of other Belgian ports, such as Bruges, Ghent or Brussels, to become extensive marts for ocean-going commerce. Traffic at the port of Antwerp was rapidly reëstablished in 1919. During May, 1920, the entries and departures at this port corresponded to the average monthly tonnage of 1912, although in the latter year the transit traffic from Germany was an important part of the whole, while in 1920 it was almost nil.

One other trade development is largely in the hands of the Belgians—that with the Congo. The mother country has just begun to realize the increasing importance of this colony. With an extent of almost a million square miles and a great undeveloped richness in tropical products, the Congo

affords remarkable trade opportunities. Here one finds an extensive market for foodstuffs, coarser textiles, clothing and machinery in return for which he may import large quantities of rubber, ivory, palm-nuts, palm-oil and copal—raw materials which abound in the Congo and are increasingly demanded by Belgian industries as well as by all other important industrial nations of the world. This opportunity is not passing unnoticed. The recent establishment of new shipping lines from Antwerp to the Congo, the improvement in communication facilities between the two countries and within the Congo itself, together with recent large investments in colonial ventures, prove that Belgium has a vision of the commercial value of its African possession.

Commercial Policy in Spain After the War

By CHESTER LLOYD JONES, PH.D.

C. Tennant Sons Company, New York

THOUGH Spain, like other neutrals, could not escape some of the irksome limitations which the European war created for the non-belligerent nations, it enjoyed during the conflict a period of unexampled prosperity. A series of good crops and legislation to limit the shipment of foodstuffs abroad helped to keep down the rising cost of living, and the high prices created by the war caused an exceptional price level for the national goods which were exported and stimulated the national industries. The geographical location of the country gave it a long land frontier on the borders of one of the chief belligerents insuring easy access for its products to the area of military operations. Freed from competition with foreign manufacturers by the necessities of the belligerents, the home industries enjoyed a greater patronage

in the home market than had formerly been their lot.

How favorable the general commercial position was can be illustrated by the conditions in almost any of the greater economic interest groups in the country. The unfavorable balance of trade amounting to 248,000,000 pesetas in 1913 was changed to favorable balance of 574,000,000 in the banner year 1917 and was still 417,000,000 in 1919. Exports rose from a value of 868,000,000 pesetas in 1914 to 1,316,000,000 in 1919. The proportion of manufactured articles in the exports rose sharply from 24 per cent in 1913 to over 40 per cent in the war period. It was 36 per cent even in 1919.¹

¹The increase of values was in reality much greater than this comparison indicates. The Spanish customs returns are made up on official valuations which have not been changed since 1913.

Raw cotton for the Spanish textile industry was imported in rapidly rising quantities reaching almost a third of a million bales in 1919. During the war, of course, this cotton largely found its way abroad again in goods manufactured for the allied armies. Wool textile exports rose from about 600,000 pounds a year before the war to 27,000,000 pounds in 1915, and even in 1919 were more than twenty times as great as before the war. The leather and shoe-making industries prospered as they had never done before. The iron and steel exports increased in value from about 5,000,000 pesetas before the war to 36,000,000 in 1916. Coal production rose from 4,000,000 to 7,000,000 tons; the products of the olive- and grape-growing industries reached unprecedented values. Viewed from the standpoint of the national industries and international trade, it seemed that the war was, if not an unmixed blessing to Spain, at least something which brought in its train a very comfortable margin of advantages.

MOVEMENT TOWARD ECONOMIC INDEPENDENCE

Public opinion in Spain after the war was strongly in favor of capitalizing and making permanent the advantages which the conflict had brought to the kingdom. There was no lack of confidence that it could be done. Other nations have won from the war their right to political self-determination. Spain was confident that now was her chance to win economic independence.

The longing to be "free from economic dependence on the foreigner" is not a new development. At least since the period of the Spanish-American war it has been an ideal which has always had a strong political appeal. From it sprang the legislation intended

to foster local industries by highly protective tariffs and the successful attempt to make Spain independent of foreign sugar supply by tariff on imports plus subsidy of the local industry. Even before the European war the movement had already entered a broader phase. In 1909, legislation was passed intended to develop ship-building through special governmental support for companies purchasing their materials from local factories. The iron and steel industries were later favored and far-reaching plans were made for fostering all national industries through governmental aid to be granted after investigation and approval by a Commission for the Protection of National Industry.

To this strong and growing nationalistic feeling the conditions created by the war greatly contributed. Spain, it was argued, had been exploited. Her riches were in the control of foreigners. Her mines, her railroads, her tramways, her waterpowers, her financial institutions, in fact all her economic resources were mortgaged to the foreigner, and the profits which their operations yielded went abroad instead of contributing to the national development. Now with the war had come, it was alleged, the opportunity to change this unsatisfactory state of affairs. The national industries were booming, the war profits had created a surplus of local capital awaiting investment, the peseta was at a premium compared to the depreciated currencies of the belligerent nations. It was easy to pass to the conclusion that this was the time for Spain to create conditions which would bring the "paying of tribute to the foreigner" to an end.

The "Spain for the Spaniards" movement took form in a number of well-intentioned projects of legislation.

First of all it was felt that the industries which had been stimulated or

created by the war must not be allowed to suffer. The periodical revision of the tariff—consideration of this topic every three years is provided for by the legislation—had been delayed by the war. It came up at a time when high protection spirit was in the ascendant. A tariff board was created, which planned an extensive investigation of the cost of production and proposed to create protection for the home industries which would place them on an equality with those of foreign countries. The tariff classifications were to be greatly increased in number to allow flexibility in the application of the new standard. The new Spanish luxury tariff effective December 1, 1920, designed to aid Spanish exchange by decreasing purchases of foreign goods by Spain, is partly a product of the desire for greater protection, but is not as comprehensive as the complete revision promised for 1921.

High tariffs alone are not sufficient, it is felt, to assure the creation of an industrial system which shall be Spanish in the thoroughgoing way which the nationalists desire. Foreign capital, they argue, as experience elsewhere has shown, may establish itself within the national boundaries, profit by the high tariff wall which shuts out foreign competition and continue the very economic dependence which has become so unwelcome. The tariff must therefore be supplemented by other protective measures. To this end it is planned to extend the protection to national industries given by the tariff by indirect or direct subsidy. Companies are to be favored which are created by Spanish capital or which have at least a specified minimum of their stock held by Spanish nationals.

Even this, however, may not assure the rapid development of truly Spanish investments in the country. Additional premiums must be given to

national investors to assure that the war wealth which has come to the kingdom shall stay at home and not seek investment in foreign securities. Spanish capital has shown a singular tendency to go abroad in the past leaving local resources to be developed by foreign enterprise. During the war this tendency became less pronounced and it is reported that about 600,000,-000 pesetas' worth of securities of Spanish enterprises were repurchased from foreigners by Spaniards. Nevertheless, the former custom still has a strong hold on local investors and even this war-time advance might be lost.

To check the flow of capital abroad, a number of measures have been adopted in spite of insistent protests that the nationalistic movement is overreaching itself in their adoption. First among these measures are ones intended to prohibit the "speculation in depreciated currencies" and the purchase of foreign securities in general. Such measures are seldom if ever successful and their general evasion by Spanish investors is a matter of common comment. The first of these laws in Spain antedate the war period and they have always been observed in the breach. It seems doubtful whether those who have recently argued for their enforcement and extension have great confidence in their practicability.

Other measures passed since the war are more thoroughgoing. They aim to make local investments attractive to Spanish financiers by creating a tax wall in favor of Spanish capital similar to the tariff wall protecting goods of Spanish manufacturers. Foreign companies, it is argued, may establish branches in Spain and bring to the exploitation of the Spanish market all the resources and prestige which go with their powerful organizations and international connections, though the

capital which they use or announce they are using in their local business may be of insignificant proportions. In this way the weaker Spanish competitor is put at a disadvantage and equal taxation upon the capital used by local and foreign companies in carrying on their local business dealings is no adequate remedy. It is therefore proposed in legislation enacted at the end of 1919 to tax such foreign companies having branches or representatives authorized to contract for them, not only on the capital used in Spain, but also on their entire capital.

The capstone of this legislation is found in the new laws affecting foreign banks which, though not commercial companies in the generally accepted sense, are one of the means most important in promoting commerce and have drawn the particular dislike of the ultra-nationalists. Foreign banks are made the subject of a special law with alternative bases for taxation requiring them to pay taxes at least at the rate of two per mille on the capital devoted to business in Spain plus one per mille on the entire capitalization of the parent corporation. Severe penalties are provided for evasion of the law, and it is expressly stated that no court review of the tax assessment made by the administrative board composed in majority of officials of the Spanish treasury shall be allowed.

The terms of this latter legislation have aroused widespread protest both in and out of Spain and have been made the subject of representations to the Spanish Government by foreign embassies. These laws have not as yet been actually put into force but it is clear that if enforced they will greatly handicap, if they do not make impossible, the operations of large foreign commercial companies and banks in the Kingdom. However laudable the national ambition for economic inde-

pendence may be, it is unlikely that Spain will find that in the near future she can dispense with the capital and enterprise of the foreigner to the extent sought in these laws.

RECENT ECONOMIC DEVELOPMENTS

The economic developments of recent months have brought forth factors which have emphasized to Spain as to the rest of the world that nations, even the strongest, are, in economic affairs, interdependent not independent and that discriminatory legislation is likely to defeat its own end. In tariff matters Spain is learning that while she may act as she pleases in putting up barriers against imports, other countries have the same freedom—as is brought home by the hardships created by the new high French tariff which cuts into the profits of the Spanish wine producer. Those who have the undeveloped resources of Spain in their possession are beginning to complain that within the kingdom they can find neither the technical ability nor the capital which can bring their properties into use.

In spite of the fact that Spain stayed out of the war and had an unusually strong position during its continuance, the peseta has fallen in value and shows little promise of early recovery. Such developments are far from satisfactory to those who had hoped that restrictive legislation would enable Spain to make permanent the unusual conditions of recent years.

They begin to realize that with reconstruction in the belligerent countries under way and the demand for capital thereby greatly increased, legislation intended to discourage investment from abroad is little likely to bring the hoped-for results. Laudable as the ambition of the nationalist party to make the country self-sufficient is, and though creditable advance in

creating a national industry has been made, Spain is still dependent on the foreigner for the great majority of the manufactured articles she consumes. The national economy is still agricultural, not industrial.

The ideal of a self-sufficing national industry is one which Spain will win only through long years of education for her people in her schools and factories. It is an ideal which can not be attained at a stroke either through exceptional circumstances created by the war or by legislation.

RECENT INTERNATIONAL DEVELOPMENT

If one turns from the legislation on Spanish commercial policy which has been sketched above—the most striking recent development in Spanish international affairs—to the changes going on in the national economic life which will influence the position of the kingdom in the future, the picture is more pleasing. There is no doubt that the development of industry in the northeast, centering around Barcelona, will continue. It is hampered by difficult labor problems but the character of the Catalan workman assures that this section of Spain will become increasingly able to meet the competition of foreign-made goods. Iron and steel manufacture, though still not able to compete effectively in international trade, will supply a growing percentage of the local demand. The increasing use of fertilizers is putting Spanish agriculture, now lamentably backward, into a better position. Rice-growing around Valencia and sugar production scattered over a

large number of provinces are prospering. Both rice and sugar are in some years exported in considerable amounts. That they will regularly go abroad in large values is not probable.

Fruit-raising on the east coast is extending and will contribute increasingly to Spanish income from abroad. Valencian onions also have an assured and expandable market in the north of Europe. Nuts of a wide variety are a staple item of Spanish export. Spanish green olives are a standard article in international trade, and the war has hastened the direct marketing of Spanish olive oil. The fishing industry of the northwest, the pyrites exports of the southwest, the fresh grape exports of the southeast all contribute in an important way to present Spanish foreign commerce and they will continue to do so.

Upon the gradual development of these natural sources of wealth, brought into use by coöperation between her own people and the foreigner, the prosperity of Spain has in the past rested. These same factors will continue to determine the position of Spain in international commerce in the near future, at least. Well-planned legislation may assist in bringing into use the national resources. It has already done so in not a few important branches of industry. That the present movement toward an extreme nationalistic policy will quicken the development which is in progress is at least doubtful. No nation can reform its national economy in a day, and the attempt to do so by some of the laws recently passed in Spain holds out but little promise of success.

Foreign Trade of Japan Since the Armistice

By FRANK R. RUTTER

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NO year in the history of modern Japanese trade has witnessed more striking changes than 1920. At the beginning of the year, the post-Armistice boom in exports had just reached its peak, while in March imports reached their maximum. During the course of the year foreign trade has collapsed. The imports in December, 1920, were valued at barely one-fourth the record for March, 1920, and the exports, 14,000,000 yen less, were only one-fourth the record for December, 1919. It would be necessary to go back some years to find an equally small trade movement—to August, 1917, for imports, and to January, 1916, for exports. It must be borne in mind also that prices ranged much lower then, so that the values for December, 1920, really represent a much smaller volume of trade than at any time since the beginning of the war.

When the year 1920 opened, imports into Japan were still at their height, while the peak in exports had been passed. As a result there was an almost constant excess of imports throughout the year. In only three months (August, September and October) a small surplus of exports was recorded. The excess of imports for the year amounted to 392,000,000 yen. Strange to say, there was also an excess importation of gold and silver amounting to almost the identical figure—390,000,000 yen.

This heavy movement, directly contrary to the natural course of trade, is difficult to explain; for the large sums paid as freight to Japanese shipping companies are not enough to offset the adverse balance of trade. The urgent need of funds by the banks and business

houses, and also by the Government for the many projects of financial relief, was undoubtedly one of the main reasons for the big imports of specie. The Government and the Bank of Japan had on deposit in foreign countries large sums of money at the beginning of the year. At the end of November, 1920, the stock of gold held in foreign countries was 270,000,000 yen less than one year before, while the stock held in Japan was 400,000,000 yen more. When exchange was against Japan in the early months of 1920, the law prohibited the exportation of gold; but when the crisis came, the urgent need of funds compelled the banks and business houses to draw upon every available source for money, and to postpone as long as possible the payment of obligations that had been incurred. This led to a sharp rise in exchange even while the balance of trade was against Japan, and the rise in exchange in turn made profitable the import of gold. Most of the gold naturally came from the United States, but there were also some large receipts from China.

PRICE CHANGES

In tracing the changes in the volume of Japanese trade, allowance must be made for fluctuations in price and for seasonal variations. Both of these factors have a peculiar importance in studying Japanese trade. The advance in export values came much later in Japan than in the United States, but was much greater when it came. Seasonal variations are also especially pronounced because of the few articles that make up the bulk of the imports and exports.

The variations in price are shown in Table I, together with an average for United States exports¹:

It will be noted that Japanese staple exports were slow in responding to the world-wide tendency toward higher

TABLE I. VARIATIONS IN PRICES OF IMPORTS AND EXPORTS OF JAPAN, 1917-1920
Average 1913 = 100

	1917	1918	1919				1920			
			Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June	July- Sept.	Oct.
All Imports.....	159	215	222		241		257		256	
Raw Cotton...	135	217	231		258		271	267	253	
Iron and Steel...	287	432	394		287		258	246	250	
Machinery....	157	244	306		290		303	263	290	
Rice.....	87	145	206		363		423	303	225	
All Exports.....	145	185	198	212	252	300	344	302	252	220
Raw Silk.....	147	163	153	188	249	296	394	265	162	126
Silk Fabrics...	140	174	182	193	243	322	383	309	213	194
Cotton Yarn...	156	248	254	309	400	517	520	471	291	195
Cotton Fabrics	145	196	228	247	263	340	355	352	334	315
United States Exports*....	204		221		229					

* For United States, average of four years ending June 30, 1914 = 100. Computed from the average for each class (great group) as determined by W. A. Berridge: "An Analysis of the Exports of Merchandise from the United States," *Review of Economic Statistics*, October, 1919, p. 312. In his average for all exports, each class is weighted according to the value of the selected articles falling in that group in 1911-1914. In the figure given in the table the weighting is according to the total exports of each class. Figures for the year ending June 30, 1920, have been computed on the same basis.

¹ The usual method has been used to eliminate the effect of changes in price in determining the fluctuations in trade. A compilation was made of a considerable number of important commodities that represented from 64 to 79 per cent of the total imports, and from 63 to 79 per cent of the total exports. From the quantity of each article a value was computed on the basis of the average import or export price in 1913. This compilation was made for each year, and also for shorter periods of 1919 and 1920—six-month periods in the case of imports, and quarters in the case of exports. The sharp variations in the prices of exports made it desirable to use a short term.

Comparison of the value returned and the value computed on the basis of pre-war prices

measures the relative rise (or fall) in price since 1913. The selected articles were grouped into various classes (natural foodstuffs, prepared foodstuffs, raw materials, partly manufactured goods and manufactures ready for consumption), and an average was computed for each class. It was assumed that the price of each of these classes varied in the same proportion as that of the selected articles belonging to the same class. By applying the relative price to the reported total for each of the five classes a value based on 1913 prices was obtained. For miscellaneous articles, not included in any of the five classes, the combined percentage of increase was applied.

Raw silk is of especially high value and has been subject to violent fluctuations in price. For this reason, in the case of exports, partly

prices. In 1917, a comparison of the values returned in the official statistics with those calculated on the basis of 1913 prices shows an advance of only 45 per cent. The following year the official values were 85 per cent above the pre-war level. Up to that time the advance was much less marked than that disclosed by a similar comparison of the United States export statistics. After the Armistice, however, the rise in Japanese export prices was very rapid. In the fourth quarter of 1919, the average was three times as high as the 1913 level; and in the first quarter of 1920, almost three and one-half times as high (344 as compared with 100 for 1913).

Then came a drop as rapid as the rise. The average export value for the second quarter was 302, for the third quarter, 252, and for October, 220. Naturally estimates of this kind for so short a period as one month, or even three months, can not be regarded as precise, but the movement is amply confirmed by current price quotations.

The export price of raw silk, and still more that of cotton yarn, went far higher than the average for all exports. Cotton yarn brought five times as much in the first quarter of 1920 as in the year 1913. It follows that the post-war advance recorded for exports is due mainly to the high prices for the four big items. The average for the numerous articles that make up the other half of the export trade of Japan shows a much smaller increase.

There was also a considerable increase in import prices after the Armistice. The import price in 1918, how-

ever, had already advanced much more than the export price, and the highest point reached was much below the export price for the corresponding period. The advance in import prices was therefore relatively moderate, and the latest statistics show little drop in price.

VOLUME OF TRADE

The change in import prices, consequently, does not affect materially the apparent increase in the imports of Japan. The figures on the 1913 basis are somewhat lower than those showing the prices as returned, but the general direction is little altered. In the case of exports, however, the situation is just the reverse. The great advance in exports from quarter to quarter in 1919, which brings the value returned for the last two quarters much above the corresponding figures for the year before, largely disappears when the value is reduced to the basis of 1913 prices. There was an upward movement, but it was not sufficient to bring the total up to the 1918 level.

Tabulation has been made of the imports and exports for the last three years by quarters in Table II. The third quarter of 1918 has been taken as a basis, and the returns for each of the other quarters during the three-year period are stated in the form of index numbers.¹

SEASONAL VARIATIONS

Because of the few commodities that make up the bulk of Japanese import

¹ The values as returned in the official statistics have been used and also the computed value on the basis of 1913 prices. In some cases it was necessary to interpolate the average prices to be used for the conversion. For 1918 no direct determination of the relative price was made for portions of the year and for the later years, in the case of imports, the direct determination was made by half-year periods. For purposes of comparison the trade movement in the United States is given, but only on the basis of declared values—not on the basis of pre-war prices.

manufactured goods were divided into two groups, raw silk and other articles, for each of which separate computation was made. For similar reasons, although not so striking as in the case of exported silk, imported cotton, iron and steel, and machinery were separated from the classes into which they fall.

TABLE II. FOREIGN TRADE OF JAPAN AND OF THE UNITED STATES SINCE THE ARMISTICE, ON BASIS OF JULY-SEPTEMBER, 1918 TRADE

July-September, 1918 = 100

	Imports			Exports		
	1918	1919	1920	1918	1919	1920
Japan, values as returned:						
1st quarter.....	101.3	124.1	208.5	81.2	77.5	111.5
2nd quarter.....	116.3	147.7	210.6	102.5	92.2	121.7
3rd quarter.....	100	138.9	103.1	100	112.7	99.0
4th quarter.....	114.5	152.3	79.0	118.7	148.0	63.1
Japan, at 1913 prices:						
1st quarter.....	102.8	121.8	177.1	86.2	73.5	60.8
2nd quarter.....	117.3	143.6	174.9	105.4	81.5	75.8
3rd quarter.....	100	129.6	84.4	100	83.8	73.8
4th quarter.....	113.4	134.1	64.8	115.0	92.7	54.8
United States, values as returned:						
1st quarter.....	88.0	92.1	188.5	90.8	114.3	138.1
2nd quarter.....	110.9	115.2	190.5	96.9	141.9	130
3rd quarter.....	100	139.8	181.9	100	114.3	115.8
4th quarter.....	91.2	155.5	118.5	100.4	129.6	135.6

and export trade, seasonal variations are very important. Exports come mainly in the second half year, the figure for the fourth quarter being considerably higher than for any of the others. In 1913, 22 per cent of the exports came in the first quarter, 23 per cent in the second, 26 per cent in the third and 29 per cent in the fourth. About the same ratio held good in the three preceding years. On the import side, the heaviest movement comes in the first half of the year. In 1913, 22 per cent of the imports came in the third quarter, 23 per cent in the fourth quarter, 26 per cent in the first quarter and 29 per cent in the second quarter.

The fact that the heaviest imports come when the exports are lightest, and the heaviest exports come when the imports are lightest, exaggerates the situation. Normally, an excess of

imports may be expected during the first half of each year, and an excess of exports during the second half. The preponderance of silk in the export trade and of raw cotton in the import trade goes far to explain the time of heaviest shipments. If these two commodities are omitted, the volume of trade is distributed through the year with reasonable uniformity.

To eliminate the factor of seasonal shipments, compilation has been made in Table III of the import and export figures for the period under review, expressed on the basis of the corresponding quarters of 1913. The effect is to make the fluctuations less marked, especially when based on the pre-war price level. There is a steady upward movement of imports from the beginning of 1918 to the beginning of 1920, when a sharp fall began. Exports, on the other hand, show in the main a

TABLE III. FOREIGN TRADE OF JAPAN AND OF THE UNITED STATES, WITH ALLOWANCE FOR SEASONAL VARIATIONS, 1918-1920

Corresponding quarter of 1913 = 100

	Imports			Exports		
	1918	1919	1920	1918	1919	1920
Japan, values as returned:						
1st quarter.....	205	251	421	286	272	391
2nd quarter.....	209	265	378	342	308	407
3rd quarter.....	244	339	252	292	329	289
4th quarter.....	266	354	184	319	399	170
Japan, at 1913 prices:						
1st quarter.....	96	114	166	161	137	114
2nd quarter.....	98	120	146	188	145	135
3rd quarter.....	113	147	96	156	131	116
4th quarter.....	122	145	70	165	133	77
United States, values as returned:						
1st quarter.....	146	153	313	237	298	360
2nd quarter.....	210	218	360	275	403	369
3rd quarter.....	173	242	315	279	319	323
4th quarter.....	152	260	198	212	273	286

continuous decline from the second quarter of 1918 to the end of 1920.

IMPORTANCE OF STAPLES

Roughly speaking, three commodities make up one-half of the import trade, and four commodities one-half of the export trade. The relative importance of these big staples has remained fairly constant, but among themselves there has been considerable change. The effect of the war was to increase materially the importation of iron and steel, which in 1918 constituted 17 per cent of the total as compared with 7 per cent in 1913. But in 1920 its share fell to 11 per cent. The slight relative decrease in the proportion of raw cotton and machinery during the war has been made up since the Armistice.

On the export side a relative increase in the amount of silk fabrics as com-

pared with raw silk, and of cotton fabrics as compared with cotton yarn, is conspicuous. This tendency has continued since the Armistice. Before the war habutae represented well over 90 per cent of all the silk fabrics exported. Recently, there has been a big gain in the export of crape which, in 1918, reached a value more than one-fourth as high as the value of the habutae exported.

There are many minor articles in the export trade of considerable importance. These reflect the recent trade changes more clearly than the big staples. During the war a big export trade was built up in beans, paper and woolens, which rapidly declined after the Armistice. Other articles, already important, gained largely during the war. Among these, pottery and toys are prominent because so far they have maintained their increase. The same

is true of glass, but to a less degree. Coal, knit goods, matches and hat braids show a big increase in value, but there was no corresponding increase in quantity. Camphor, a natural monopoly of Japan, has shown a material increase in value in the face of a large decrease in quantity. With the greater scarcity, prices have been raised more than proportionately. Shell buttons are still exported to twice the quantity and three times the value recorded in 1913, but the quantity is 40 per cent less than in 1918, although the value is larger. In several of these lines the gain was made while central Europe, formerly the chief exporter, was closed to commerce.

Before the war, copper was regularly exported in considerable amounts from Japan. During the war, the exports increased in value but not in quantity. Increased costs of production have changed Japan, in 1920, from an exporting to an importing country. The imports were twice as large as the exports.

DIRECTION OF TRADE

Raw silk and silk fabrics exported from Japan go mainly to the United States and are exchanged for raw cotton, semi-manufactured iron and steel, and machinery. During the war the proportion of silk and silk goods taken by the United States increased materially, while on the import side a larger share of the raw cotton was imported from the United States, and the bulk of the iron and steel, and machinery. Since the Armistice, imports from the United States have continued to increase, notwithstanding the orders placed in Europe.

The exports to Asia consist in large part of cotton yarn and cotton fabrics. The sales to India that became important during the war fell off largely

in 1919, but revived in 1920. China, however, remains the principal market for cotton yarn and fabrics. The decline in the purchases there has had a serious effect on the spinning and weaving industries of Japan, and through them on the general industrial situation.

It is not certain how large a part the boycott in China has actually played. According to the Japanese returns the exports of cotton yarn to China had approximately the same value during the three years, but a much smaller quantity in 1919 and 1920. The value of cotton fabrics shows a marked increase in 1919 and 1920 (especially in the first half), but the quantity shows little change. The decline in the quantity of cotton yarn exported to China, and the absence of any material increase in the quantity of cloth may or may not be due to the boycott. The natural effect of the boycott, more or less local perhaps, was to restrain importers from placing new contracts in Japan. If it did not prevent the importation of Japanese goods, it may well have been instrumental in preventing further expansion of the trade.

The fall in the price of silver during 1920 has probably been at least equally effective in limiting the purchases of Japanese goods in China. The value of the Chinese (Yuan) dollar was fixed by the Director of the Mint at \$1.02 on April 1, 1920, and at 59 cents on January 1, 1921. Since these values are based on quotations covering the preceding quarter, the purchasing power of Chinese money, when measured in gold, fell more than 40 per cent during the last nine months of 1920. Such a decline must unquestionably have lessened the demand for cotton cloth and other goods imported from a gold standard country like Japan.

PREPONDERANCE OF IMPORTS

Perhaps the most conspicuous change in Japanese trade since the Armistice is the shift in the relative importance of exports and imports. During the war exports were dominant; since the war, imports. The big export figures were piled up while there was an insatiable demand in foreign markets. When it was seen that prices, except for a few competitive goods, did not drop immediately upon the end of hostilities, an after-the-war boom developed that carried the values, but not the quantities, far above previous records. The upward tendency lasted only through 1919. Its basis was inflated values; it needed an insistent foreign demand. With the diminished purchasing power of the United States and the fall in the value of silver in China, the demand for silk and for cotton manufactures, the two great export staples, fell off disastrously. Contracts that had been placed for future deliveries well up to the productive capacity of the country for months to come, could not be carried out by the buyers without forcing many into bankruptcy, and to avoid this had to be cancelled on easy terms.

Much more marked was the steady rise of imports that began even before the Armistice and continued through 1919 and the first quarter of 1920—and the returned value was even higher for the second quarter, but not the value adjusted to pre-war prices nor the value adjusted for seasonal variations. The declared value of imports was then more than twice as high as two years before.

The difficulty of obtaining adequate supplies of foreign goods during the war left Japan greatly under-stocked. When the Armistice was signed orders were placed at once for prompt deliv-

ery. Early shipments brought so much profit to the importers that further orders were placed, in many cases without adequate consideration of the real extent of the home demand.

The orders proved excessive. With the collapse of the boom, imported goods could not be resold except at a loss. Goods stored in customs warehouses, representing only a part of the imports that could not be digested, showed on December 31, 1919, a value twice as high as one year before, while on June 30, 1920, the value was two and one-half times, and on September 30, over three times, as high. Undigested imports, estimated at enough for a full year's supply in many lines, effectively prevented the placing of new orders.

Japan is closely affected by world conditions and world tendencies. The changes in the amount of its import and export trade paralleled those in the trade of the United States during the war and less closely after the war. The parallel appears most clearly when the comparison is based on the value for the corresponding quarter of 1913. But in Japan, perhaps because of the greater preponderance of a few staples, the fluctuations, both upwards and downwards, have been more extreme. The peak for imports was reached first in Japan; for exports, first in the United States.

CONCLUSION

To sum up, the post-war trade of Japan has been characterized by (1) extreme variations in the level of prices, (2) extreme fluctuations in the volume and still more in the value of imports and exports, (3) a preponderance of imports over exports, especially marked in 1920, and (4) a severe trade depression, due largely to the collapse

of the foreign demand for the great export staples.

Just as the Japanese exporters profited to a peculiar degree from the advancing prices of 1919, they have suffered to a peculiar degree from the 1920 decline. The large part that silk and cotton and their manufactures play in Japanese exports has exaggerated the injurious effects of the fall in price. There has been a sharp loss in value, unlooked for and not pro-

vided for, with a greatly lessened demand for silk and silk goods in the United States and Europe and for cotton goods in Asia. Foreign trade is to an unusual degree fundamental in Japan and affects vitally the whole economic life of the nation. To a recovery, industrial or commercial, from the present depression, the revival of a strong and stable foreign demand for Japanese goods is essential.

The United States as a Creditor Nation and the Development of the Export Trade

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IN discussing the subject noted in the title, it will be worth while to devote a little space to establishing the fact that the United States is a creditor nation, and to what extent it is such.

Just a decade ago a careful study of the extent of foreign investments in the United States was made for the National Monetary Commission.¹ According to this estimate Great Britain had invested in American securities about \$3,500,000,000; German investments amounted to about \$1,000,000,000; those of Holland were placed at

ments abroad, required the remittance annually by this country of between \$175,000,000 and \$225,000,000. Other expenditures, such as expenditures of American tourists abroad, remittances by immigrants, freights, insurance and similar smaller items, brought the total annual net payments due other countries up to about \$500,000,000.

These charges were met in general by the excess of our merchandise exports over our imports. For the five fiscal years, 1910 to 1914, the merchandise exports and imports were as follows:

MERCHANDISE EXPORTS AND IMPORTS, 1910-1914

In Millions

	1910	1911	1912	1913	1914
Total Exports.....	\$1,744.9	\$2,049.3	\$2,204.3	\$2,465.8	\$2,364.5
Total Imports.....	1,556.9	1,527.2	1,653.2	1,813.0	1,893.9
Excess of Exports.....	\$188.0	\$522.1	\$551.1	\$652.8	\$470.6

\$750,000,000 and of French capital at nearly \$500,000,000. In the aggregate the amount of European capital—and that means of all foreign capital—invested in permanent securities in the United States was stated to be approximately \$6,000,000,000. The net payments of interest on this capital, after deducting the amounts owed citizens of the United States for their invest-

As the average for these five years is \$476,900,000 it is evident that the excess of exports over imports merely sufficed to meet the current fixed charges against this country for interest and services, and was not applied to the liquidation of our foreign indebtedness. We may therefore conclude that this remained in 1914 practically at the same point where it had stood in 1910.

With the outbreak of the World War the demands of Europe upon the

¹ George Paish, "The Trade Balance of the United States," in *Report of the National Monetary Commission*, XX, p. 169.

United States for munitions and supplies of every kind grew enormously, while at the same time the shipments of goods to pay for these supplies fell off from the pre-war level. The following table shows the trade with Europe during the three fiscal years, 1915 to 1917:

advances and credits to the amount of \$3,500,000,000 have accumulated against Europe in the period between January 1, 1919, and September 15, 1920. If to these items there be added other loans and investments in Central and South America, in Canada and in Mexico, and in other regions, it is cer-

MERCHANDISE EXPORTS TO AND IMPORTS FROM EUROPE 1915-1917

In Millions

	1915	1916	1917
Exports to Europe.....	\$1,944.3	\$2,972.3	\$4,324.5
Imports from Europe.....	614.3	616.2	610.5
Excess of Exports.....	\$1,330.0	\$2,356.1	\$3,714.0

The excess of exports over imports for these three years thus amounted to about \$7,400,000,000. If there be set against this sum the gold imports and an allowance for the usual charges against the United States for interest, freight, insurance, foreign travel, etc., which together might be estimated in the aggregate at about \$2,000,000,000 for the three-year period, it will be seen that at the time of our entrance into the war the United States had nearly, if not quite, liquidated her foreign indebtedness and by the end of the year 1917 had certainly attained the position of a creditor nation.

After our entrance into the war the United States government became the banker of the Allies and advanced them credits to the amount of \$9,710,000,000. When these advances ceased, private capital was called upon to make further loans to Europe to aid in the work of reconstruction. It has recently been estimated¹ that private

certainly no exaggeration to claim that the United States is today a creditor nation to an extent of not less than \$10,000,000,000 to \$12,000,000,000. The annual interest charge on this sum at 5 per cent would be \$500,000,000 to \$600,000,000. Moreover, many of the items for which we formerly remitted to Europe, as freights or insurance, are probably now payable to the United States, while others, like tourists' expenditures, are greatly reduced; it may safely be estimated that the former payments to Europe will be cut in half. Instead, therefore, of having to remit to Europe some \$500,000,000 a year in excess of our imports, we shall be in receipt of excess payments from the rest of the world of not less than \$250,000,000 to \$350,000,000.

EFFECTS OF BEING A CREDITOR
NATION

To be a creditor nation means the receipt by citizens of this country of surplus income from sources outside the country itself; it means normally larger imports than exports. As a

¹ B. M. Anderson, Jr., in *The Chase Economic Bulletin*, I, No. 1, p. 8. Issued by the Chase National Bank, New York City, October, 1920.

debtor nation we were compelled to export more than we imported; as a creditor nation we may import more than we export. What effect will this changed situation probably have upon our export trade?

In the first place, little or no effect may be observable for a period owing to extraordinary or temporary occurrences. Thus the present abnormal situation in Europe compels further borrowing by them from this country instead of meeting the obligations already incurred. Even the payment of interest on our government advances has been deferred for a period of three years. It is unlikely that Europe's balance of trade with the United States will become favorable in any shorter length of time. It is conceivable, but altogether unlikely and undesirable, that these debts might be met by further shipments of gold to this country. They might also be canceled by the transfer of American securities to this country, but this movement has already gone so far that this resource is pretty well exhausted.

The full effects of our changed situation may also be delayed by the investment abroad of the excess payments due us. In other words, our trade balance may continue to show an excess of exports over imports and we may be content to accept securities and promises to pay rather than commodities and services. Finally, our tariff policy may make it so difficult for foreign nations to sell to us, or even to pay us what they owe, as to retard the normal working out of our changed commercial relations. Any such delay will only defer and not alter the outcome; indeed, it will only aggravate it and will necessitate still larger excess payments to us in the future. The effects of being a creditor nation may be postponed but can not indefinitely be averted.

Let us assume, therefore, that the ultimate and permanent effects of being a creditor nation are in full operation and that our imports exceed our exports; or, as it is generally stated, that our balance of trade is "unfavorable." What effect will this probably have upon our export trade? Several possibilities suggest themselves.

1. The relation between imports and exports may be altered, but yet no falling off may occur in our exports. Both may continue to grow, though imports may grow more rapidly until they overtake and pass exports. This has been true of other nations and may well be true of the United States. Thus the export trade of such creditor nations as Great Britain, France, the Netherlands, Germany and Belgium showed a steady and in some instances a remarkable growth during the half century before the World War. In 1800, the imports of Great Britain amounted to \$140,000,000 and the exports to \$165,000,000. Both of these grew steadily throughout the nineteenth century, although the former grew so much more rapidly that in 1900 the imports were \$2,300,000,000 and the exports \$1,415,000,000. The large excess of imports over exports in the last named year resulted in part from the earnings of British foreign investments, which amounted in 1914 to about \$20,000,000,000. It is estimated that before the outbreak of the World War the British people gained from such investments about \$1,000,000,000 annually, of which perhaps \$200,000,000 was received by them in the form of surplus income, while the balance, or \$800,000,000, was reinvested abroad.¹ It may safely be assumed that a similar course

¹ For fuller details on this and some other topics treated briefly in this paper, see my book, now in press, *War Costs and Their Financing*, to be published by D. Appleton and Company.

of development in the United States will cause a steady growth in exports, but a still more rapid increase in imports.

2. Our exports may be affected by the character of the imports. Proceeding on the assumption that our imports will exceed our exports and that the balance will not be paid in gold, it is clear that the excess must be paid in commodities. These commodities may be either consumable commodities or raw materials and partly manufactured goods. It is probable that the debtor nations of Europe will endeavor to cancel part of their obligations to us by shipments of colonial products, as jute and tea from India, tin and rubber from the Straits Settlements, coffee from Java, wool from Australia, etc. Considerable time must elapse before Europe will be able to send us large amounts of manufactured goods to compete with our domestic products. In so far as these imports consist of foodstuffs, semi-luxuries and other consumption goods, there would result a more plentiful supply, cheaper prices for them and for all competing articles or substitutes, and to that extent a higher standard of living.

It is, of course, conceivable that the receipt of such a surplus might induce a certain amount of indolence; we might prefer to live on our incomes and enjoy more leisure instead of working. But such a result is altogether improbable under the existing distribution of wealth, the modern organization of industry, the prevailing "price and profit" system of enterprise, and the present habits of thrift and work of the American people.

The larger part of the imports would doubtless continue to be, as they have been in the past, raw materials and partly manufactured goods, whose possession would permit our manu-

facturers to increase their own production of finished goods. Domestic competition would be stimulated and sharpened and a larger market would be sought. This larger market might be found at home if at the same time the importation of competing European goods fell off. Such a contingency could not be more than temporary, however, for eventually direct importation from Europe must assume large proportions and their manufactured articles compete with our own in the United States. To the extent to which this pressure becomes severe will the need be urgent of finding a market outside of the United States for some, at least, of our own manufactures if prices are to be maintained.

3. Will markets be open to our export trade? Our recent experiences in domestic trade have illustrated the fundamental truth that the purchaser, in the final analysis, determines the volume and character of commerce. The same thing is true of international trade. The question may therefore be stated in another way: Does the world want our wares? There can be no doubt as to the immediate answer, for the world needs what we have to offer and is taking all we can spare. Europe is buying for her own needs, and is less able than formerly to supply the wants of non-European nations, which therefore turn to us.

It has been estimated that the British have lost probably one-fourth of the \$20,000,000,000 foreign investments, which they owned before the war, either by transfer to the United States or in other ways. Of the foreign investments of the French, amounting to some \$8,500,000,000 and placed principally in Russia, Turkey, Rumania and Mexico, fully one-half must be accounted as irretrievably lost; while the German foreign investments

of perhaps \$5,000,000,000 have been or will be largely transferred to the Entente Allies. Rendered immeasurably poorer by the war, these peoples will have to work harder to supply their own wants. At the same time, they have plunged heavily in debt to the United States, and will be compelled to send to this country many of the surplus goods with which they formerly supplied other markets. This will leave these markets open in greater measure than formerly to us. This is especially true during the period of reconstruction in Europe when domestic needs are urgent. It thus becomes our duty as well as our opportunity to increase our exports.

But what of the future when Europe has recovered from the destruction of war and is able to compete again as formerly? The European nations will continue to demand our great agricultural staples, and the more they develop their manufacturing industries the greater will this demand be, both for raw materials and for foodstuffs. The growth in population, in economic development and in intelligence of non-European countries will at the same time create demands for manufactured goods which Europe alone will not be able to supply. If the economic development of the newer countries is not to be delayed, they must be supplied with capital goods; that is, with railway equipment, farm machinery, etc., as well as with articles for immediate consumption.

The present interest of the European states seems to lie in the exploitation of the Balkans; an increasing demand for our capital will come, therefore, from North, Central and South America, and from Asia. There can be no question as to the continuance and growth of this demand; every technical improvement in industrially advanced countries widens the gulf between them

and the less advanced countries and makes more imperative the introduction of improvements into the latter if they are to share adequately in the economic progress of the world.

4. The character and destination of our exports have already been indicated. The greatest need on the part of other countries will be for capital goods to assist them in their work of production. In the case of Europe the demand is for machinery and equipment and raw materials; in the newer countries it is for capital to assist in the exploitation of rich natural resources. For them the largest profits lie in the exploitative industries, and the exchange of their raw products for the manufactures of more advanced communities. They will, therefore, demand finished consumption goods also for immediate use. In both of these lines—that of farm and mining machinery, railway equipment, etc., and that of staple articles of general consumption—the United States is preëminent with her methods of large-scale mass production. The best markets for both of these lines will be the Americas, Asia and Africa, with all of which our export trade has shown the greatest relative development since the pre-war period. There is every reason to suppose, therefore, that our export trade will continue to develop along the lines already marked out.

5. Is export trade essential to American prosperity? In the discussion thus far, the continuance of an export trade in increasing volume to supply the expanding needs of the world has been assumed. There are those, however, who argue that Great Britain, France, Germany and other European nations will soon regain their former trade, will undersell the United States in foreign markets as a result of their more favorable rates of exchange, and that the export trade of the United

States will soon fall off. It will be worth while to examine this aspect of the case. Let us therefore assume that imports increase and that exports decrease and that the balance of trade becomes permanently "unfavorable." Does this spell ruin to American industry?

In answering this question it must be borne in mind that the growth in imports is, in part at least, the reward for past frugality and investment. The situation is in effect that of an individual who has saved and invested and enjoys income from productive investments in addition to earnings from current business. Such additions to income raises the general standard of living.

On the other hand, smaller exports do not necessarily mean the shutting down of factories, closing of mills and throwing men out of work. Compared with domestic trade, our foreign commerce does not after all bulk very large—it is perhaps one-thirtieth as great. The falling off of exports would simply mean the diversion to domestic production of the labor and capital formerly devoted to satisfying the needs of foreigners. Indeed, the argument is being made that we need to devote all our productive capacity to the satisfaction of domestic demands, and that in the case of manufactured articles at least there will be no surplus to spare for many years.

INVESTMENTS

Our foreign investments during the war represent to a considerable extent the diversion of capital which would normally have been invested at home and to that extent would have decreased domestic production. Our railroads and industrial establishments are less well equipped today because we devoted ourselves to the manufacture of munitions and supplies for the Euro-

pean belligerents. Our foreign investments, therefore, do not wholly represent net savings, but rather production for the needs of others at the expense of domestic consumption and also of the upkeep and expansion of our national industrial plant. It is necessary now to repair these deficiencies, and to devote our energies to domestic needs rather than to foreign demands. From this standpoint the falling off of exports may be regarded with satisfaction.

That there are plentiful and profitable opportunities for investment in the United States scarcely needs demonstration. The West has been for us a vast colonial empire into which billions have been poured and which still calls for further development. And now the South, tardily entering upon a promising industrial evolution, affords further opportunity. To bind together these sections and afford better means of transportation, vast sums must be spent on the railroads, on internal waterways and on roads; electrical power is needed to drive the machines yet to be built. There is scarcely a limit to our national needs.

Such development, however, takes time, and quicker profits may perchance be made by the export of our cheaply manufactured commodities to the teeming markets of the Orient or to South America, where they can be exchanged for the products of those countries. Much of our foreign trade is of this character and its diversion to the satisfaction of domestic needs might entail a loss. Whether our productive energies will be devoted to the satisfaction of domestic or foreign demand will after all be determined by the comparative profitability of the two, all things considered.

Against the growth of exports are working such factors as ignorance, unwillingness to venture upon the unknown, the extent of domestic de-

mand, the political and financial instability of foreign governments and unfavorable conditions of exchange. In favor of the export trade there should be considered, not merely the percentage of gain per unit of goods exported, but also the economies from

larger production thus made possible; its educational value by reason of the greater intellectual demands it makes; and the development of closer international ties. The advantages of foreign trade are not measured merely in dollars and cents.

Imports, the Tariff and American Foreign Trade

By GEORGE E. ROBERTS

Vice-President, The National City Bank of New York

THE tariff policy of the United States since our Civil War has been dominated by the purpose to protect and encourage the development of new industries. During most of the time, the political party which avowedly favored this policy has been in power at Washington, and during the short periods that the opposition was in power it could not undertake to make very radical changes. Even if one accepts the doctrines of free trade as theoretically sound he is forced to admit that a people who possess a country of vast natural resources, like the United States, capable of supporting a great population and of developing a variety of industries, will be inclined naturally to use their governmental powers to hasten such development. They are not likely to be content to await the slower processes of unaided growth. Practically all new countries adopt the policy of stimulating development, the daughter dominions of free-trade England as well as the others.

That the policy of protection has been effective in hastening the development of this country, diversifying its industries and increasing its population, will be admitted by many who think the time has come now for giving greater consideration to balanced and mutually advantageous trade with other countries.

The main purpose of the protective policy in the past has been to get our domestic industries into a more balanced state, with factories to supply our own wants and to employ a population which would create a home market for our agricultural products. The policy of protection was not pursued to promote foreign trade. We have not been acting with a view to developing foreign markets. We have not been thinking about foreign markets, or planning to enter them with manufactured goods. In fact, the argument for protection has been based upon the theory that we could not compete successfully with foreign goods in open markets.

In recent years, however, our attitude in this respect has been changing. In many lines of goods our producers have demonstrated their ability to compete in the markets of the world and to maintain a profitable and growing volume of sales. What they have done, there is reason to believe that others can do, if they have a fair chance, and the interests of those who are building up an export business are beginning to clash with the interests of those who claim that they must have protection to enable them to succeed even in the home market. I propose to set forth briefly some of the points where these interests come in conflict.

Let us consider first the matter of exchange rates, just now so obvious and important a factor in foreign trade. In the past we have been a debtor nation, borrowing capital continually from the older and richer countries of Europe for use in our development. This capital came to us largely in the form of industrial equipment and manufactured goods, and upon it we had to pay regular interest or dividend returns. These payments were made by shipments of our products, largely foodstuffs and raw materials for the European industries, and upon the whole it is estimated to have taken products worth about \$500,000,000 annually to cover what have been called the "invisible" items in the account against us. That is to say, we had to have a balance of trade in our favor on merchandise account of about \$500,000,000 in order to cancel all charges against us. If the balance in a given year happened to be more than that, we could buy back some of our securities with the surplus, and if it happened to be less than that, we could sell some of these securities on the other side. Now the war has made a radical change in this situation. It seems quite possible that instead of there being a net balance against us on the "invisible" account in international relations, we may have a balance in our favor of \$500,000,000 per year.

How are foreign countries to pay us \$500,000,000 per year, not to speak of paying the principal of the indebtedness? There is only one way of making a final settlement, and that is by goods. It is true that payment may be postponed by giving us obligations payable in the future, or transferring interests in properties in Europe or in other parts of the world. The administration of President Wilson is understood to have been favorably disposed toward funding the accruing interest upon the foreign obligations for several

years. This, however, is simply piling up the amount coming to us, and it will have to continue piling up until we receive payment in tangible property of some kind.

While under pre-war conditions we were obliged to have a favorable trade balance of about \$500,000,000 per year in order to meet our obligations abroad, hereafter foreign countries will need to have about such a balance in their dealings with us, in order to meet their obligations.

The ordinary method of making payments between countries is by going into the exchange market and buying bills of exchange arising out of current trade. When goods are sold a draft or bill of exchange is drawn against them and this is commonly sold in the public market, and purchased by parties who have payments to make in that country. This is all very simple so long as international trade is approximately in balance, but when the payments are running heavily one way it becomes difficult to obtain bills sufficient to meet them, and rates of exchange upon the country where the heavy payments must be made rise to a premium. This situation is so abundantly illustrated in the exchange market at the present time that it is scarcely necessary to elaborate upon it. There is not a single country in the world whose inhabitants can obtain the means of making payments in the United States without paying a premium, and the premiums range from ten to several hundred per cent.

It is true that to some extent these premiums represent a depreciation of the currency of the foreign countries, but it is also the inevitable result of a one-sided state of trade, and the situation shows the futility of striving to build up a one-sided trade. There is no object in trying to sell goods to customers who can not pay for them.

We do not want pay in the paper money of other countries—they can not pay in gold, and paper promises signify nothing but postponement, with interest charges which must be added to the uncollectible principal. A one-sided trade can not continue indefinitely, even if the debtor country is willing to pay the premium upon exchange, for somebody must buy the exchange and it can not be sold unless there is a prospect that it can be collected at some definite date in the future.

As this situation dawns upon the comprehension of our people who have been accustomed to thinking that we must have a favorable balance of trade in order to have prosperity, their perplexity and distress is apparent. Some of them do not hesitate to declare themselves in favor of canceling all of Europe's foreign debt to the United States rather than accepting payment in goods. But even that will not dispose of the goods. If we refuse to accept them, they will be sold in the markets of the world, and will interfere with the exportation of goods from the United States, and thus may affect the prices of goods in the United States.

If we expect to have any commercial relations with the world whatever, we must consent to reciprocal relations. If we have any interest in procuring foreign customers, we must give some thought to the means by which they will be able to make payment, and there is no way in which they can make payment save in the goods of their own production. In other words, it is idle for us to talk of developing foreign trade if we mean only the development of export business. Trade consists of exchange of products.

It follows, therefore, that if we wish to allow our producers who are able and desirous of competing in foreign markets to do so, we must allow goods of foreign production to be sold in our

markets to balance those exports. We will put an unbearable handicap upon our exporters by restricting imports to an extent which will cause foreign exchange charges to rise against them.

Of course, that is not the only handicap which a protective tariff places upon our producers who desire to sell in foreign markets. If a duty is imposed upon raw materials, as for instance, wool and hides, the effect is to raise the cost of finished goods, thus placing our producers of cloth and shoes at a disadvantage as compared with the producers of other countries, who do not have such duties to pay. Moreover, any import charges which increase the cost of living to wage-earners and require compensating additions to wages, have the same effect. Duties upon wool and hides have this effect. The duties upon food products have been of small consequence in the past, because we have been exporters of such products and prices upon them in this country have not been above prices in other countries, but that is not wholly true now.

Import duties are being strongly urged at this time for the purpose of raising the prices of foodstuffs in this country, although this means raising the entire level of industrial costs, and must seriously affect our ability to manufacture for export. This is advocated in the face of the fact that the average value of all the farming land in the United States more than doubled in the ten years from 1900 to 1910, and doubled again from 1910 to 1920. Is it possible that such a policy, which prevents the natural development of foreign trade, can benefit the country?

The people who advocate prohibitory tariffs are actuated by a mistaken idea that without such protection foreign countries will flood us with goods and ruin our industries. This is an illusion, for other countries can no more

sell to us without taking products in exchange than we can sell to them without so doing. The rule of goods for goods is binding on all countries. If a great trade balance should develop against us, as feared, exchange rates would turn about and set up a barrier against imports more flexible and effective than any that can be established by law.

No country desires to give its products away. They all want to sell for the purpose of acquiring something else. The greatest exporting countries, excepting those that are debtor countries and obliged to apply a portion of their exports upon their obligations, usually import more goods than they export. Great Britain before the war was the greatest of exporting countries, and imported more than she exported. In the five years immediately preceding the war, Germany's imports exceeded her exports.

No country produces more upon the average than it consumes or adds to its stock of wealth, nor is there any danger that any country will do so. Nations do not consume all that they produce, or produce all that they consume. They find it advantageous to exchange some of their products for the products of other countries. It is mutually advantageous to do so but each country consumes practically the equivalent of its own production. Nothing is to be gained by arbitrary interference with the desires of the individuals to make these exchanges, nor is it possible to interfere with the movement of goods in either direction without having that action interfere with the movement in the other direction.

People talk in a timid way about the possibility of a flood of goods from countries like Japan and China, where the wage rate is much below that in the United States, but those countries have no facilities for making an overwhelming amount of goods, and if they could

make them they would either consume them or trade them for an equal amount of goods of our production. There would be enormous markets for our goods in Japan and China if they could produce something with which to pay for them.

People get unduly excited by fixing their attention upon one fact only in a situation, without taking account of modifying conditions. They lose the proportions. Thus, the receipts of butter at five important markets, Boston, Chicago, Milwaukee, St. Louis and San Francisco, as given by the *Year Book of the Department of Agriculture*, in 1916, aggregated 490,000,000 pounds, which gives only a suggestion as to the total production of the country. In eleven months of 1920, ending with November, the imports of butter were 33,418,000 pounds and the exports, 16,983,101 pounds; and the butter industry is thought by some people to be menaced by these importations, although in the aggregate of all trade, every one of the countries exporting butter to us, imported much more than it exported to us. For instance, one of these countries was Canada, whose total imports of all commodities from us in the eleven months named aggregated in value \$910,122,277, with total exports to us of \$552,244,139.

It would be ludicrous, if it were not so serious, to observe the conflicting activities of committees of Congress, in laboring to promote exports, by appropriating money on a great scale for the maintenance of a merchant marine, commercial representatives over the world, and in numerous other ways, while at the same time they are going carefully over the list of imports with a view to stopping every crevice by which goods may creep into the country. Facilities by which foreign customers may make payments to us are more important than any additional facilities for increasing sales.

Must the United States as a Creditor Nation Modify Its Traditional Attitude toward a Protective Tariff?

By JACOB VINER
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THE traditional attitude of the United States toward a protective tariff may be said, with as much accuracy as commonly attaches to such generalizations, to have consisted in the belief that any American industry which, if subsidized through governmental action at a rate not exceeding or not greatly exceeding the foreign cost of production, has any chance of surviving, should be given such a subsidy indirectly in the shape of import duties on competing foreign products. There are few American economists who would unqualifiedly give their approval to this attitude even under conditions such as were prevalent in the pre-war period. But the question now raised, namely, "Must the United States as a creditor nation modify its traditional attitude toward a protective tariff?" narrows the issue somewhat. Whatever the pros and cons of protection may have been during the pre-war period, the issue now presented is, "Has the change in conditions, whereby the United States has ceased to be a debtor nation and has become a creditor nation, made it not only desirable but necessary that its traditional policy of tariff protection be replaced by a policy of more or less unrestricted import trade?"

The creditor status brings with it certain inevitable consequences in connection with the foreign trade: Exports, visible and invisible, commodity and service, pay for imports, visible and invisible, commodity and service. In the absence of deferred payment or credit transactions, exports must equal imports. The American loans to Europe caused a corresponding

excess of exports over imports, because the loans took the form of shipments of goods and the offsetting imports were deferred to a later period. The repayment by Europe of the principal of the American loans would in similar manner be effected in goods (or services) and would cause an excess of imports into the United States over exports from the United States. It is not so much the repayment of the principal of the American loans as the payment of interest on these loans which presents the imminent problem with regard to the foreign trade of the United States.

The use of American capital by Europe may reasonably be regarded as equivalent for each year of such use to the export from the United States of a capital service. The interest paid for the use of this service must reach the United States in the form of the import of goods or services or both. The so-called unfavorable balance of trade which is being so generally predicted for the period when Europe will begin paying interest on her debts will not, therefore, be an excess of total imports into the United States, commodity and service, over total American exports, commodity and service, but *will* be a sufficient excess of imports, commodity and service, over exports, commodity and service *other than capital service*, to pay for the export of capital service at the contractual rates.

At the present time, the process of capital exportation, *i.e.*, the investment of American capital abroad, is still continuing, and the American exports, commodity and service, are still in excess of the American imports.

If the outward flow of capital ceases before substantial payment of interest begins, there will be an equilibrium between imports and exports *other* than capital service, presumably with exports smaller than they now are and imports not substantially different from what they now are. When interest payments begin, they can be ultimately mediated in any of several different ways. Europe may meet her interest obligations by selling more goods or services to the United States, or by refraining from taking American goods or services to which she would otherwise be entitled; or by a combination of these two methods, *i.e.*, selling more to the United States and buying less from them. The only other possibility is that by continued extension of American loans abroad or by new investments abroad the date of the payment to the United States of interest shall be indefinitely postponed. This, however, would merely defer the problem of adjustment of exports and imports, and would not solve it.

The adjusting factor in any case will be the relative (gold) price levels of different countries. Europe will be able to meet her interest obligations to the United States only if European prices fall relative to American prices, so that European exports to the United States are encouraged, and European imports from the United States are discouraged. Because a rise in prices in one country relative to the world price level would tend to check exports as well as to encourage imports, it may be expected, whatever governmental policy may be, that the settlement by Europe of her interest obligations to the United States will result both in an increase in imports to America and a decrease in exports from America as compared with what they would have amounted to, respectively, if the interest obligations were not present.

Governmental policy can, however, affect the degree in which the obligations are met by one method or the other. A high tariff on European products, for instance,—and the present tariff is high if measured by non-American standards—would accentuate the rise in American prices in relation to the world price level, the high tariff would prevent foreign commodities from benefiting from these high prices, and the high prices would cut off exports from America. A high tariff policy would not only injure our export trade, but it would also make it much more difficult, and perhaps even impossible, for Europe to meet her obligations in any manner. Assuming that a high tariff had no such extreme effect, and that the European obligations were met, they could be met only through a substantial reduction in the European purchases of American products.

In so far as government policy can determine the choice between alternatives, it must decide either to leave the flow of imports substantially unchecked or to take action which by restricting imports will check the flow of exports. There will inevitably be a conflict of interest between the domestic producers for the home market who fear unrestricted foreign competition on the one hand, and the domestic producers of commodities for export on the other.

The United States Government has lent to foreign governments almost \$10,000,000,000, and it is estimated that, since 1914, \$3,500,000,000, more or less, of American capital has been privately invested in foreign countries. If to this amount be added the accumulation of unpaid interest, and the withdrawal from the United States of foreign capital since 1914, it is probably a conservative estimate that the United States now has an annual credit item of \$800,000,000 to \$1,000,000,000, due

to it annually in interest, over and above the net debit or credit of interest transactions in 1914. Shall the United States' claim to interest payments be liquidated in the form of increased imports or in the form of lessened exports? This is the issue stated baldly which requires determination.

Europe, it is true, need not pay her obligations wholly in commodities. Every sale of a service to an American serves to liquidate indebtedness to the United States in the same manner as an equivalent sale of commodities. But the importation of services instead of commodities offers no avenue of escape from this alternative of unrestricted flow of imports or indirect restriction of exports. Before the war Europe sold to the United States each year services amounting in value to very nearly the value of her sales of commodities. There is little prospect that the American purchases of such services will be substantially greater in the next decade than they were in the decade preceding the war. In so far as the most important of these services, freights, is concerned, the United States is already in the position, as the result of the building up of a great merchant marine, where it sells more freight service than it buys. Here, therefore, we may expect a decrease in the purchases of service from Europe instead of an increase.

Americans with leisure time and surplus income during the war period were perforce obliged to do their traveling on this Continent, and the habits then developed under stress of war conditions may leave as an aftermath a lessened tourist traffic abroad. In any case, little can be expected from this quarter in the way of an increase of American debit obligations over the annual pre-war amount sufficient to liquidate even a substantial fraction of the European interest obligations.

With respect to bankers' and insurance services, also, it is probable that, as a result of wartime developments, the American purchases thereof from abroad will be smaller instead of greater in the post-war period as compared to the pre-war period.

The so-called non-commercial items such as the remittances of aliens in the United States to their relatives in the home countries may indeed expand, especially if economic conditions in Europe continue to be in their present parlous state. One can not find here, however, an offsetting debit item for \$800,000,000 to \$1,000,000,000 of annual credits. If immigration should be restricted, however, the capital which it brings with it and which ultimately enters in the form of imports of commodities will also be shut out, and this will make it so much the easier for the American industrial system to absorb an otherwise increased flow of imports.

It has been argued that Europe need not meet her obligations to the United States directly through the shipment of manufactured commodities, but that through triangular exchange transactions European shipments of manufactured products to Latin America and to the Orient may there establish credits for the United States, to be drawn upon for the purchase of raw materials. Thus American industries would continue to be protected against European competition, and, at the same time, Europe could meet its obligations to the United States. To some extent, at least in theory, this is a potential solution of the problem. It raises, however, its own problems in turn. In the first place, there is the question as to whether Europe can find a market in addition to her normal one in these regions sufficient to absorb at reasonable prices a great addition of commodities. In the second place,

can the United States in turn become a purchaser of the restricted range of products of these regions in quantities so much greater than the normal quantities that they will suffice to liquidate by indirect exchange the obligations of Europe to this country? Third, this, even if feasible, would not really be a solution of the problem we are considering, but would simply be a shifting of its incidence from domestic manufacturers who fear European competition to domestic farmers who now have perhaps an even greater fear of South American and Asiatic competition.

It should be clear, therefore, that, whether Europe makes settlement of her obligations directly or indirectly, such settlement must ultimately take the form of either an increase in American imports or a decrease in American exports. It is hard to refrain from regarding the present problem as merely a special case to which the general principles of international trade which form the basis of the free-trade argument are especially applicable. A prohibitive tariff would mean a high price level, high money costs of production, high money wages. It would thus place handicaps on exporting industries just at the critical period in their development, when they are most in need of an open field without favor and without handicap, in order that their right to the employment of American capital and labor in competition with other American industries and in competition with the world may be fairly tested. It would eliminate ocean freight traffic just when a national merchant marine has been constructed at tremendous cost for the very purpose of handling such freight traffic. It would offer the sorrowful spectacle of a government on the one hand liberally expending its revenue in export trade promotion, and on the other hand passing laws which would be

bound to have as their most conspicuous effect the cutting-off of export trade.

The political background of tariff protection is rapidly shifting. An increasing number of manufacturing industries have attained the position where they can without subsidy meet foreign competition, not only in the domestic market, but also in foreign markets. To such industries prohibitive tariff duties would be a burden instead of a help. On the other hand, for some of the important agricultural products, the situation is being reached where the United States is changing from a surplus to a deficiency country and where import duties would no longer be nominal in their effect but would raise the domestic price. The tariff histories of England, France and Germany all offer instances of the phenomenon where, as these countries changed from exporters of agricultural commodities to importers, the farmer class shifted from advocates of free trade to the chief supporters of protectionism. That same process is visibly under way in the United States. Manufacturers are beginning to give voice to the good old free trade doctrines of the farmers, and farmers are beginning to find truth in the traditional protectionist arguments of the manufacturers.

When economic class interests change, it does not take long for the economic doctrines of these classes to change in conformity. If to the protectionism of those manufacturers who, not confident in the economic soundness of their industries, fear Europe paying her debts, there is to be added the new protectionism of the farmers, American export trade may indeed prepare to be shackled.

Were it to be expected that the European payments would take the form of a huge flood of imports over a relatively short period of time during

which they might seriously disturb the whole domestic economic machine, there would be substantial cause for forebodings and for precautionary measures. But the payments of principal will be met by Europe only if spread over a long period of time—if it is not undue optimism to expect that they will not have to be largely written off as bad debts. If anything is to be feared during the next decade, it must be the interest payments. These, while substantial enough *if fully paid*, are but a small fraction of the annual output of American industry, and not great enough to disturb the smooth working of a great economic system, resting on solid foundations.

The policy of the government will be decided by the victor in the clash

of group interests. Were political conditions now what they were before 1914, it would be a safe prediction that the manufacturers would have their own way. They are now divided among themselves, however, and the farmers are much better organized than they ever were before. It is in the general interest that the efforts of the exporting manufacturers to check restrictive legislation shall be successful. It would be, however, the irony of fate if the rôles of beneficiary and victim should now be reversed, and if the tariff, which for almost a century the manufacturers imposed on the farmers to the benefit of the former and to the injury of the latter, should now turn upon the manufacturers and force them to give largesse to the farmers.

The Effect of Depreciated Exchange on Foreign Trade

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IN the conduct of business many unavoidable risks are encountered. To perceive the risks that must be incurred is much, but it is also of vital importance to understand their nature and probable consequences. Risks which are perceived but not understood are altogether likely to become the foundation for exaggerated fears. This seems to be the present situation as regards the probable consequences of depreciated foreign exchange rates upon both the export and the import trade of the United States.

Stated in summary fashion, the reasoning which forecasts disastrous results to the foreign trade of the country from depreciated exchange rates runs somewhat as follows: With sterling at \$4.00 it is argued that the British producer can sell at a good profit in the United States goods which

could not be profitably marketed here with sterling at par, *i.e.*, at \$4.86. At the depreciated rate, he will receive on the sale of goods for \$1,000 in the United States £250 instead of the £210 which he would have secured when exchange was at par. Here would indeed appear to be a prodigious stimulus to the export business of a country on a depreciated basis, and also a similarly great obstacle to imports.

But this is not the whole story. That there must be counteracting influences at work is to be presumed from the absence of any instance of extraordinary increase in exports and decline in imports in the case of countries which in the past have gone upon an inconvertible basis.¹ Consideration of

¹ The experience of European countries since the war is, of course, too short to provide an adequate basis for conclusion on this matter.

the conditions which lead to a departure from the gold standard will at once make clear the character of these counteracting influences. A country goes upon an inconvertible basis ordinarily because it is experiencing untoward influences which, among other things, have tended to stimulate imports and to check its normal export business. Depreciated exchange rates serve in large measure to counteract influences which have already brought the trade of a country into an abnormally unfavorable condition. If, for example, sterling were now at par, the British producer could not realize a profit from goods which he formerly sold in foreign countries. Inflation of domestic prices and the consequent increase in money costs have preceded depreciation. If money costs had remained unchanged, there would have been no depreciation or at least only for a short period of time.

The particular unfavorable influences which have occasioned depreciation vary greatly in the different countries which have found themselves unable to maintain the gold standard. Taking the many countries now on an inconvertible basis, we find that ability to produce in all of them has been in varying degree unfavorably affected by the war. There has also been a marked decline in the accustomed demand for the staple products of many countries which were not engaged in the war. The European demand for most South American products may be cited as an example. More important, at least immediately, has been the currency and credit inflation during and since the war. The extent of such inflation has been almost in direct ratio with the economic and financial difficulties of the various countries. The depreciation of the franc, for example, to about one-third of its pre-war value reflects the far greater inflation and industrial

difficulties of France as contrasted with those of Great Britain, the currency of which has depreciated by only about 25 per cent.

Expressed somewhat abstractly, it may be said that depreciated exchange has no effect whatever on the imports or the exports of a country after a condition of fairly stable depreciation has been reached. If, for example, the pound sterling were closely to approximate \$3.75 for a number of years, neither the imports nor the exports of Great Britain would be appreciably different from what they would have been in the absence of depreciation. The only essential difference would be that the general level of domestic prices measured in the depreciated currency would be some 25 per cent above what it would have been with exchange at par. It is only the fluctuations in exchange rates (and depreciated exchange fluctuates widely) that have a specific influence on foreign trade. If, for any reason, rates decline more than the coincident inflation in prices, and decline in industrial efficiency, exports will be stimulated and imports curtailed. An advance in rates is then certain in no short period of time, unless the condition of the country is going from bad to worse. Such a temporary decline in exchange, going beyond the difficulties of the situation, seems to have occurred in the case of sterling, when early in 1920 it declined to \$3.18 and shortly thereafter rose to the vicinity of \$4.00.

Wide and unforeseen fluctuations in exchange of this character, while they may at times stimulate exports, exert upon the whole a far from favorable influence on the development of the trade of a country. Intermittent ability to supply goods in foreign markets is not conducive to healthy development. For countries engaged largely in the manufacture of goods in

the production of which imported materials are used, the consequences of widely fluctuating exchange rates are apt to prove particularly disturbing. In the event that exchange rates rise between the date of purchase of the material and the date of sale of the finished product, losses, and often very serious losses, are incurred. Many producers on the continent of Europe, for example, had a costly experience with the vagaries of depreciated exchange in the summer of 1920, when there was a decided though temporary advance in the rates of exchange on the United States.

Depreciated paper exchange never furnishes examples of the prolonged stimulus to export business which have occasionally been present in the case of the silver-using countries as a result of falling silver prices. The price of silver may decline quite independently of conditions affecting money costs of production in a particular silver-using country. Producers in the silver-using country then reap large gains from export business until finally wages and other domestic money costs advance. As wages in the silver-using countries are strongly influenced by custom and change slowly, the stimulating effect of a fall in the price of silver may last for a considerable period of time. A decline in paper exchange is not analogous because it is never due primarily to influences external to the country which is on an inconvertible basis. The decline, as has been before observed, mainly reflects conditions which have already developed in the country itself. Even if the decline in exchange more than discounts these conditions, the advantage to those engaged in production for export will be far more temporary than in the case of the silver-using countries, because in the western world wages and other money costs

more speedily adjust themselves to monetary changes.

It usually happens that a country which is on a depreciated paper basis is in need of far more capital than is currently provided by domestic savers. It endeavors to secure capital from foreign countries. But the very fact that exchange has depreciated, and that consequently the annual return from capital when converted into foreign currency is subject to variation on account of fluctuation in exchange, is a serious obstacle to the acquisition of foreign capital in large amounts and at reasonable rates. In so far then as the industrial development of a country and so its export business might be quickened by the investment of foreign capital, depreciated inconvertible paper money exerts an unfavorable influence.

It is not improbable that the export trade of the United States in the next few years will be considerably less than it has been since the outbreak of the European War. Many influences are present which seem bound to exert an unfavorable influence upon that trade. Depreciated exchange is not, however, one of those influences. In fact, if the European countries steadily put into effect the measures necessary to restore their currencies to pre-war parities, exports to the United States will undoubtedly be far more considerable than is at all likely to be the case if something like the present situation continues. In order to return to the gold standard at pre-war parities it will be necessary for the European countries to contract credit, curtail governmental expenditures, balance governmental expenditure and revenue, increase industrial efficiency, develop foreign markets to a greater extent than before the war, and also curtail in every possible way imports of unnecessary articles of consumption. The contrary policy of allowing mat-

ters to drift can hardly fail to involve a continuance of present depreciated rates and perhaps a further decline. Occasionally, extreme declines will temporarily make possible the exportation of goods not regularly exported, but the general tendency will certainly be for both the export and the import business of Europe to fall away, re-

flecting continued industrial and financial decay.

Depreciated exchange is not a corrective; it is merely a symptom of an unhealthy condition. It consequently does not subject producers in this country to abnormal foreign competition from which they might reasonably ask to be shielded by legislation.

The Part of Direct Exporting in the Future of American Industry

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EXPORT trade is the one adequate future outlet for the products which owe their being to American brains and American labor. Those careful students of commerce whose vision has been so largely responsible for our domestic development are today found to be turning their eyes overseas. The law of diminishing returns is already curtailing the potential profits in many lines whose marketing has been confined within our boundaries. It is not necessary for a saturation point to be visible for it to exist. The fact that there is a definite saturation point which is only beyond the range of direct vision is the compelling force which is leading American industry into scientific direct exporting.

With the shortening distances due to improved methods of transportation; with the growing acceptance of higher standards of living; with the widening circle of demand for comfort, convenience and luxury as well as mere existence, the once limited field of many American industries has broadened to permit economical merchandising of

American product in foreign lands. In the rapid development of labor-saving machinery the possibilities of production have increased in mathematical progression in comparison to the increased consumer demand of the domestic market. The principles of mass merchandising as well as the principles of mass production are today understood, where two decades ago both were unknown. Due to the sudden demands of the World War, manufacturing capacity was increased overnight to a point far beyond the natural growth of several decades.

So we have on one hand a new consumer acceptance in foreign lands which is rapidly growing to definite consumer demand, not only for a widening variety of American-made merchandise but also for decidedly increased quantities of American-made merchandise. On the other hand, we have for the first time both the desire and the necessity for a wider market than even the increased population of the United States provides.

To a great extent the market beyond

our boundaries is competitive only in a sense. There is a distinct division of manufactures in which American mechanical ingenuity and American insistence upon quality have both created new products and raised others to such a high standard as to involve a different classification from its prototype. The typewriter, the adding machine and agricultural machinery are typically American. Such prosaic articles as saws, paints and varnishes have been raised from mediocre articles that serve a purpose to products which have reached such standards of uniform high quality that they find a market abroad regardless of any price advantage that the foreign manufacturer may offer.

The two major divisions of export selling are direct exporting and indirect exporting. Indirect exporting is selling to a middleman, usually known as a commission house, having offices in this country and distributors abroad. The manufacturer sells to the commission house much as he would to a domestic customer. He is supplied by the commission house with full details as to marking, packing and invoicing each shipment. The manufacturer receives his pay from the commission house as he would from a domestic customer. He assumes no risks and takes no responsibility beyond delivery to the commission house or to the steamer designated by the commission house.

DIRECT EXPORTING, ITS DEVELOPMENTS AND ITS SERVICES

Direct exporting is the selling by a manufacturer to a customer resident abroad. In this case the manufacturer exercises his own judgment or obeys specific instructions received direct from the customer abroad in regard to packing, marking and invoicing. His merchandise is purchased without an intermediary by the customer abroad,

to whom he looks for payment. Varying with his terms of sale, the manufacturer's responsibility ends at factory, at seaboard or at destination. There is no outstanding obstacle to prevent a manufacturer from combining both major selling methods. In fact, it is customary rather than the reverse for manufacturers to employ both direct and indirect exporting in the development of their overseas trade.

The most significant development which affects the future of American industry is the constantly growing attention manufacturers are giving, as a rule rather than the exception, to the direct exportation of their products to foreign markets. There are many reasons which underlie this development. The greatest reason is the broadened vision due to a greater necessity than existed a score of years ago. In 1900 the export trade of manufactures, particularly of branded merchandise, was entirely incidental and accidental to one group of American manufacturers. Serious direct exporting was confined to a handful of enterprises whose vision was nearly a generation in advance of that of the multitude. In 1900 the limitations of the domestic market did not exist for many new enterprises. In 1900 the overseas possibilities for volume business were unknown to many American manufacturers. In 1900 the foreign field was seriously regarded by the casual student of exporting merely as a dumping ground for surplus products, and its rightful place in American merchandising had not yet been understood. In 1900 our own great West was a market for products of our eastern factories instead of being, as at present, a competitive manufacturing district.

As a concrete illustration of the value of vision in merchandising, no

more striking example can be portrayed than that involved in the solution of the problem of seasonal demand in the domestic market. The manufacturer of men's fancy hat bands, which are worn in the United States only during the summer months and on straw hats, is a typical example. His climatic problem which causes his seasonal problem is solved in the fact that when it is winter in the United States it is summer in Argentine Republic, and there is a year-around summer following the Equator. Another example of a different nature is that of the American toy manufacturer, whose domestic demand comes almost entirely in the late summer and early fall when the jobbers are stocking their Christmas goods. When the toy manufacturer develops a business in foreign lands he finds a market for his goods in the spring and early summer, because of the length of time that the goods are in transit and the willingness of the large foreign importer to take his goods early in order that he may be certain of them in time to redistribute among his local jobbers before the holiday season.

There is today a growing appreciation among consumers as well as by manufacturers that retail prices in the domestic market depend largely upon a volume of production adequate to tax factory capacity and to minimize the inevitable overhead charges of production, distribution and selling. Export trade obviously increases sales. Export trade obviously diminishes cost of production by absorbing overhead charges. Export trade, to the careful student, is known to have a lower selling cost per unit of merchandise because it customarily capitalizes existing brains, existing plant and the tremendous momentum which is part of a going business. Particularly in a seasonal business the return on fixed in-

vestment is greatly increased because of the full time utilization of existing plant equipment, plant facilities and personnel. In addition, where seasonal demand would require the manufacture of fall goods in the early spring and storage of those goods through the summer, in order to maintain the manufacturing organization, an additional earning force is given to the capital invested through the manufacture of goods for foreign trade—goods which can be billed and become an asset instead of a liability as soon as manufactured.

It is common in such basic industries as shoes to adopt exactly this practice. Not only is use made of the plant in the off-season, but export orders are given preference and drafts are discounted following immediate shipment, thus supplying capital available for the purchase of raw materials for the seasonal domestic trade. In industries which involve the shipment of liquids in glass, there is a hiatus between fall and spring in which, because of danger of freezing, domestic shipments are extremely limited and confined to taking advantage of favorable weather conditions and of supplying domestic trade located near domestic branch warehouses. The shipping force in such factories is today kept intact and profitably employed in the packing, marking and shipping of export orders which can safely be hauled from warehouses located at seaboard to the warm holds of outgoing steamers.

This must not be taken as any defense of what in the best export circles is known as the unpardonable sin of "dumping." It is doubtful if a manufacturer is ever justified in selling his goods abroad at a price that is based on anything except cost of manufacture, plus cost of distribution, plus a reasonable profit. Occasionally a manufacturer may, for purely introductory

sales purposes, feel himself justified in putting his goods in at a price that will later give him entrée into a market where the established price has been set by an inferior and long-established competitive article. Even in doing this the manufacturer must bear in mind the very great danger of finding this action subject to heavy legal penalties ranging from an increased rate of duty to permanent exclusion of his products from the market.

Direct exporting is an excellent self-defense against foreign invasion of the domestic market. The American exporting manufacturer who has developed a world trade necessarily comes in contact with the American manufacturer who is selling his product in all the markets of the world, and is meeting in some one or more of those markets the most advanced competition in his particular line. When he has successfully solved the problem of meeting that competition, whether it be in Paris or Tokio, Abyssinia or Tasmania, he is prepared to forestall that competition before it reaches his domestic market. There is a further and great advantage in the rubbing of shoulders with the highest grade products of other manufacturing nations. Americans as a class are prone to consider that the United States alone can produce articles of transcendent merit. Naturally, this is in the face of our constant and long-established importations of French perfumes, Italian and Spanish oils, Panama hats, English cutlery and Parisian styles.

The consumer abroad has his choice of the masterpieces of the manufacturing world, and the American manufacturer, therefore, in the development of his export trade comes constantly in contact with the products of the best manufacturing brains of other nations. It is not uncommon for American manufacturers to improve their own prod-

ucts best through the adoption or adaptation of products of whose very existence prior to their exporting they were in entire ignorance.

There is a still further and most important value directly to be credited to the practice of direct exporting. The customs tariffs of other political units often require most careful consideration in order that a popular retail price within these units may be possible. In the solution of these problems American manufacturers have found repeatedly that they could evolve a product which met the new cost requirements in such a manner as to result in a more attractive package. This saving in cost in order to meet a price requirement abroad is, therefore, an asset in a domestic market, since it results in a more attractive package at a lower cost of production. There are many minor manufacturing advantages which can be attributed to the practice of direct exporting. These vary with each market.

Entirely apart from the field of production is the field of trade practice and procedure. In this field, particularly in the defining of the maturity of obligations, our domestic practice is so markedly inferior to the prevailing practice in international commercial exchange that there is no fair basis for comparison. The great majority of American-manufactured products are sold on open account. This means that the goods are shipped in response to an order placed by mail or given to a salesman, and that the only definition of maturity date is that afforded by terms printed at the head of the invoice or described by the salesman. There is no formal acceptance of the goods and no written agreement to pay in accordance with the terms of sale. This is in distinct contrast to the documentary time draft procedure, which is the backbone of foreign commerce.

In direct exporting it is the rule that all orders are signed at the time they are placed, and terms of sale form an integral part of any quotation. When the goods are shipped they are consigned to the order of the direct exporter, who sends through banking channels the negotiable bill of lading, insurance certificate and commercial invoice, with instructions that these documents, which are necessary for the securing of the goods by the customer abroad, are to be given to him upon his "acceptance" of the draft. This acceptance takes the form of the customer's endorsement of a draft which definitely states the date of maturity, and which equally definitely establishes the validity of the transaction and the acceptance of the terms of sale. The customer's debt then becomes one to the bank, which notifies him of its maturity. Failure to pay an accepted draft at maturity is analogous to an act of bankruptcy, and as such affects the standing of the importer in both local and international circles. From these two definitions it will be seen that the various and timid proposals in the domestic market tending toward the quasi establishment of a practice of trade acceptance are but the faltering step of an infant toward a goal definitely recognized.

VALUE OF DIRECT EXPORTING IN PERIODS OF DEPRESSION

World-wide distribution established by direct exporting is the sole insurance of real value against times of domestic financial depression. It is practical business insurance to divide the risks of credit and depressions over the widest possible territory. Sane selection of foreign customers is based not on placing all foreign eggs in the basket of a single foreign market, but on distributing these in such cities as Yokohama, Shanghai, Hong Kong, Sydney, Mel-

bourne, Bangkok, Bombay, Cape Town, Rio Janeiro, Buenos Aires, Valparaiso, Lima, the capitals of Europe, such wonderful cities as Constantinople, Cairo and hosts of smaller but *buying* centers.

When a manufacturer has built up a clientele in foreign countries whose purchases form one-tenth of his total output his factor of safety is forty per cent greater than his non-exporting competitor because, following the customary practice of defining payment dates by drafts, he is sure of a sufficient volume of payments at anticipated times to tide over any temporary stringency in the domestic money market, whereas the very cause of the calling in of loans which makes it desirable for the non-exporter to make prompt collections will cause such customers to seek extensions. This factor of safety increases out of proportion as the percentage of exports is increased because, particularly on lines bearing a high profit, the manufacturer is able to meet his entire obligations at maturity from his proceeds on foreign orders, and could even close down his factories for a period of several months and make no attempt to enforce domestic payments due.

In fact, it is in a panic year that the direct exporting manufacturer reaps the greatest domestic advantages, for while his competitors are forced to conserve their resources he can conduct sales campaigns in every city they are forced to neglect. Where the non-exporter must offend slow-paying customers with imperative demands for settlement he, enjoying a steady influx of payments representing cost plus profit, is in a position not only to extend longer terms and to be lenient in collections, but also to solicit the patronage of the slow-paying but responsible buyers offended by competitors' collection methods.

Not only is such a manufacturer's position of value to himself but it is also a decided benefit to his customers and his competitors' customers, for it enables the dealers constituting "the trade" as applied to his line to conduct business under normal business conditions and meet other more pressing obligations from their natural resources without forcing unfavorable loans or having their credit strained beyond its possibilities. Multiply the single exporting manufacturer by all his mates in all lines, and a veritable sea-wall is erected against the storm of financial stringency. Can there be a greater panacea for a panic caused by lack of money at home than a steady stream pouring in from abroad?

There is only harm in sales at bargain prices abroad when the domestic market is glutted, or in the dumping of obsolete and below-standard products on which no future is expected or possible; but in the carefully developed world-wide markets made possible by the superior quality of American-made goods backed by intelligent coöperation with foreign dealers and good service even in the height of domestic seasons, there is the one sure preventative of depressed financial conditions at home.

It should be known as an axiom that the nation whose manufacturers' products are sold in every corner of the world is panic-proof as against internal conditions. The best insurance against a national panic is a healthy export trade.

WORLD-WIDE PLANNING · ESSENTIAL FOR EXPORTING SUCCESS

Well-balanced world-wide sales are never a matter of luck. The world is so large and its markets, large and small, are so many that only by careful planning is correct export development made possible.

There are fully thirty thousand manufacturing exporters in the United States, an estimate which checks with the official statistics and the investigations of export organizations. Not over seventy-five manufacturers—one-quarter of one per cent—can rightfully claim adequate representation in even all the major markets of the world. Not over one hundred and fifty can prove that their export selling in both theory and practice is based upon plans laid years ahead.

This is a tremendous indictment. It charges American exporting with lack of forethought as well as lack of balanced export sales. Let us examine the facts—for it is facts and not opinion which are worth consideration.

Exporting is selling to the whole world. This truth must be accepted before progress is possible. Until a manufacturer is willing to *think* of selling abroad wherever a profit can be shown, he is certainly not entitled to be called an exporter, even if his ledgers show sales in Cuba and in China. A few scattered customers in foreign countries are no more a proof of exporting than a few freckles prove a man a Mongolian!

The outstanding error in American exporting lies in the beginner's usual question, "Where shall we first sell abroad?" The proper question is, "What method can we adopt which will logically bring about balanced export sales?" Exporting—modern scientific exporting—is far more than attempting to sell one market at a time sequenced in order of ease of securing sales. Such a method is exactly as absurd as for an enterprise which desired national distribution in the United States to work forward one state at a time, with no advance survey or preparation of the entire field.

There are many American manufacturers who are today enjoying a

pleasing profit from export sales built up in crude ways. But these are the first to admit that their methods have robbed them of both earlier and larger profits and that today their export distribution is still "spotty" and without correct balance. The mere fact that many are profiting by export trade is no proof that greater profits should not have been made, and that future efforts will not be decidedly handicapped by the hit-or-miss methods that forgot the future by too close a focus on the present.

The world is large. Therefore, the first step of the prospective exporter should be to admit that he has before him a task worthy of his best brains and demanding the most careful and skilled planning. Before active export selling starts, there should be a world plan which is based on a knowledge of the world and its markets and a vision of a decade in advance. It is costly to ignore this concept of exporting. Countless American manufacturers have, by ignoring this basic foundation, entered into agency relations that within a few years proved to block their future, not alone in the particular countries in which they appointed agents, but in entire continents.

One illustration will drive home this important point. A New York manufacturer of paints, because he had no plan covering his export future, gave the agency for one of his products to an agent in Rio Janeiro; the agency for all of his products for Argentina to a representative in Buenos Aires; the Chilean agency for a paint remover to a wholesaler and retailer in Valparaiso, and the agency for varnishes to a retailer in Lima. Contracts prohibited the paint manufacturer from selling other than the agents.

What was the result? The paint manufacturer, by giving the exclusive agency for his automobile paints to a

dealer in Rio Janeiro for a term of ten years, found himself two years later unable to interest the one most desirable agency connection in Rio Janeiro. This corporation in Rio Janeiro refused, naturally, to divide the agency with a small and little-known dealer in its own city. In other countries the same general result came from the same general cause—blocked efforts due to failure to plan. The agencies granted made it impossible to send a traveler profitably, since the traveler could only have visited to advantage Uruguay, Paraguay, Bolivia and Ecuador, due to the agencies and the conditions under which they were conducted. In a sentence, it can be said that by failure to plan, the paint maker set back his sound development in South America by at least twenty years.

Even students of exporting have all too often failed to grasp the situation. One instructor in foreign trade in a most important eastern university taught his students the theory of exporting based on selling effort confined to the easiest market—the one in which at the moment general conditions were most favorable. This doctrine of expediency—interesting and simple as it may sound—is an infallible recipe for later regrets! The prospective exporter who is afraid to face the fact that this is a large world or who is unable or unwilling to give adequate time to advance planning for his commercial conquest of it had best remain confined to domestic selling!

There is a vast difference between advance planning for an ultimate world-wide and balanced trade and an attempt to conduct an intensive world-wide selling campaign from the very start. Only enterprises with exceptional financial resources can attempt wisely any foreign trade effort which involves the simultaneous attack on a large number of markets before the

working capital is earned by a more modest entry into exporting. Conversely, it is entirely possible for any manufacturer, adequately financed for

domestic trade, to plan correctly for ultimate world-wide trade and to proceed step by step, directly toward his goal.

The Probable Future Development of Grain Trade of the United States

By JULIUS H. BARNES
Barnes-Ames Company, Duluth

WAR'S influence is clearly shown in a study of the food supply of Europe during war-years. The change wrought in sources of overseas supply rises strikingly above all other phenomena and centers in the expansion of food production in America and the clear deflection of ordinary ocean trade currents in the products of the farm. For example, there is in a study of crop production, marketing and movement, as influenced by the necessities of warring countries, a clear indication that price inducement is the governing factor most apparent in America's farm yields.

Prior to the war there was a general acceptance that in America there

were two distinct trends in grain production:

1. The elimination of our export grain surplus by the growing necessities of a home population.

2. The reduction in total grain yields by the replacement of diversified farming.

We are now able to see, by the actual response of American farms to the price inducement which war's higher levels created, that both the area of grain production and the yield per acre were possible of material enlargement. This trend is most clearly shown by a grouping of the years' production, for the purpose of ready comparison.

The four years prior to the world war recorded an average grain production of the United States, as follows:

Bread grains (Wheat and Rye).....	7.8	bushels per capita
Feed grains (Corn, Oats and Barley).....	40.32	" " "
Total grain production (5 chief crops).....	47.4	" " "

The five war years averaged in grain production as follows:

Bread grains.....	8.6	bushels per capita
Feed grains.....	43.3	" " "
Total grain production (5 chief crops).....	51.9	" " "

With ocean commerce freed of the submarine menace, but production still under the influence of war grain prices, the crop of 1919 recorded a yield of:

Bread grains.....	9.77	bushels per capita
Feed grains.....	40.93	" " "
Total grain production (5 chief crops).....	50.7	" " "

The crop of the 1920 harvest, of which the final figures are just available, yielded:

Bread grains.....	8.01 bushels per capita
Feed grains.....	46.25 " " "
Total grain production (5 chief crops).....	54.26 " " "

Studying these yields, it is apparent that, even with the minor fluctuations which sectional and seasonal crop deterioration produced, the trend was steadily toward enlarged grain production. If we seek for a reason for the larger acreage sown and the larger aggregate yields, in the face of greater production difficulties on the farm, especially as to labor supply, we find the answer in the price inducement.

An analysis of the farm price for grain shows the following average for the four pre-war years:

Wheat.....	85.5 cents per bushel
Corn.....	65.4 " " "
Oats.....	39.6 " " "
Rye.....	71.9 " " "
Barley.....	62.8 " " "

An analysis of the average farm price of grain for the five years 1915 to 1919 shows the following:

	1915 cents per bu.	1916 cents per bu.	1917 cents per bu.	1918 cents per bu.	1919 cents per bu.
Wheat.....	112.9	117.3	201.1	203.7	214.8
Corn.....	72.4	75.7	141.4	150.4	155.7
Oats.....	45.1	43.6	63.4	76.8	69.7
Rye.....	93.0	93.2	156.	178.4	141.3
Barley.....	57.4	66	107.4	124.2	105.4

The high point of average farm price of grains during 1920 was as follows:

	1920 cents per bu.
Wheat.....	258.3
Corn.....	185.6
Oats.....	104.5
Rye.....	189.0
Barley.....	148.3

Here is clearly disclosed the crop expansion following a steadily advancing price level which represents production stimulus to the grower. It is possible to verify, besides, that the increase in grain crop production was paralleled by a similar increase in yield in other farm products; and that the price stimulus came primarily from overseas is told most

clearly in the total food exports of the United States, as follows:

EXPORTS OF ALL FOODSTUFFS FROM THE UNITED STATES

Year	Tons
1912-13.....	7,900,000
1913-14.....	5,900,000
1914-15.....	15,500,000
1915-16.....	13,500,000
1916-17.....	12,600,000
1917-18.....	10,000,000
1918-19.....	17,000,000
1919-20.....	11,700,000

It is possible, thus, to trace the production and export expansion following the inducement of a higher overseas price, and also to see, in the shrinkage of overseas outlet following the end of war anxiety and war finance abroad, the beginning of deflation of price attraction on the American farm, which culminated in the Fall of 1920 in

a considerable collapse of farm product prices.

If, then, we recognize the ready response which the American farm can make to prospective profits by price stimulation, it would be interesting to reach a conclusion, also, as to whether even under the stimulus of war's inflated prices we had reached our capacity production. A comparison of the pre-war average production per acre of eighteen European countries last available indicates an average wheat yield per acre exceeding that of the United States average by fifty per cent. In spite of the fact that large areas of our country are more exposed to seasonal crop deterioration and resultant disappointing yields than are the same areas in Europe, it seems from a study of the crop expansion thus recorded that the spread between the two comparisons of acre yields can be narrowed by increasing American crop production whenever the American price return at the farm warrants the investment in fertilizers and intensive cultivation which Europe has generally practiced. That intensive cultivation and expense in soil stimulation will follow a continued price return which makes such intensive production profitable, and no sooner.

Since, then, it is the final farm return which will determine the expansion or contraction of aggregate grain yields in the United States, it is important to see what natural conditions may facilitate or retard the reflection to the farm of the largest possible percentage of the consumer price. The United States has prospered in the past as a grain-raising country, producing a surplus for the European consuming markets, though in competition with the cheap-labor production of Russia, India and Argentina. Its chief South American competitor possesses a con-

siderable natural advantage in the proximity of its grain areas to its seaports. It is calculated that the average rail haul from the Argentine farm to some one of its seaports will not exceed 150 miles.

In the United States a large percentage of our grain area necessitates a rail haul of 500 to 1,500 miles. The American farm has been favored heretofore with cheap rail transportation and, more than that, by the extraordinary economy of the thousand miles of deep water Great Lakes navigation. On these Great Lakes the transportation of bulk grain is the lowest per ton mile in the world, and not only has the grain country benefited in the actual transportation of grain by this water route reaching into the heart of America, but the influence of its cheap carriage rates has reflected into competitive rail haulage as well.

Railroad rates were long framed with especial consideration on grain, and additional consideration on export grain. This condition has changed. There has been one rail advance after another, together with an equalization of rail and export rates, until it may be stated that in respect to certain grains, and for certain rail routes, the rail transportation charge has doubled within the past five years. This charge was not an undue burden during the recent years when Europe's needs and war's inflation of values supplied a ready market at high prices for American production. Today, when the transportation charge per bushel from the Nebraska and Iowa farm to the seaport is more than the value per bushel of corn at the farm, it becomes a serious impediment to the continuation of America's grain export supremacy. It is apparent that, even with Russia's continued elimination from the overseas grain balance-sheet, there are, in the immediate future,

days of sharp competition for markets in Europe which will distinctly reduce the price inducement of the past few years. Grain production in the United States will probably show the effect of this unfavorable development.

American resourcefulness and American methods of using mechanical devices rather than human labor, may overcome in large part the handicap of high cost production following an advanced standard of farm living, and the disadvantage of necessary long hauls to the ocean, but it is none too early to study every economy along the line of translation, in the interest of preserving the farm price as far as possible.

If, for instance, the international engineers now preparing a report on the feasibility and cost of the St. Lawrence Waterway should indicate not excessive costs in the introduction of the ocean carrier to the inland lake ports of Duluth, Chicago and Milwaukee, serving the inland grain empire, this one factor of economy itself might be decisive in maintaining the price stimulation on our western farms.

It would serve also to attract to European markets the surplus of western Canada, which, without cheap transportation facilities to Europe, must press along the American border into our own markets as well, and with the advantage of low-cost production which a relatively virgin soil insures. It is significant, for instance, that in this present crop-year (Russia being eliminated), the United States and Canada are supplying eighty per cent of the overseas requirements of bread grains. If these countries find competition with grain exporting coun-

tries forces them to enter the export market at a price leaving only unprofitable farm returns, because of large transportation costs, then in those American areas in which both American crops compete, there might be such pressure for home markets that the agricultural industry in those districts would be wrecked.

If America is to achieve a supremacy in the export of industrial production, competing there as also it must with the cheaper wage costs which obtain in a lower standard of living, it not only must again use the economies of mechanical and large-scale production, but it must also supply our workers with a relatively cheap food supply. The ideal of that food supply would be a domestic price lower by its export relation than the food price level of other industrial competitors, yet high enough to make a fair return to the American grower. The position of that grower in respect to his price return must be developed and secured by all the study and resourcefulness of which America is capable and for which it should be typical.

It is clear that the potential crop production exists in America. It is clear that it responds readily to price inducement. It would be an economic blunder not to try to maintain that crop production by preservation in America of a price inducement following farm profits. Economies into the consumer market secured by cheaper transportation, and simplification of trade methods and reduction of trade tolls, will aid in maintaining grain production in the United States. The potentiality is clearly present beyond the needs of home consumption alone.

The Importance of Foreign Trade in Copper and Other Metals

By FELIX EDGAR WORMSER

Assistant Editor, *Engineering and Mining Journal*, New York

OF the five metal industries producing copper, lead, zinc, gold and silver, foreign trade is normally of direct importance to only two—copper and silver. The lead, zinc and gold industries function quite independently of export stimulus. Foreign commerce undoubtedly plays a most important rôle in the production and marketing of agricultural staples such as wheat and cotton, but the importance of foreign trade to the copper and silver industries is scarcely less important. The extent of the effect of this factor on a domestic metal industry may be judged by the serious depression and loss which the post-war dullness in export trade caused the copper industry.

There are three chief differences between agricultural and mineral commodities that influence their international movements. Farm products are of a perishable nature, whereas the metals are of a permanent nature. Furthermore, food and clothing are of much greater importance to life. Each year there is poured upon the world a supply of new metals which augment existing supplies, rendering greater the possibility of using available quantities of scrap metal and transforming it into essential shapes. These facts do not apply to agricultural products, the perishable nature of which precludes use after any but a measurable period. If a nation be faced with the alternative of choosing between the importation of foodstuffs and of metals, the former would undoubtedly be selected. Moreover, though a country may modify its agricultural activities it can not change its mineral resources, and so must seek

its supply of metals from existing deposits, whether domestic or foreign.

Although the statement has been made that foreign trade is important to only two of the five metals under discussion, this should perhaps be qualified through a recognition of the fact that the great war seriously altered the foreign and domestic demand for the metals and that the present period of economic readjustment has largely distorted the normal movements of some of them. Consequently, statistical records made in the first few post-war years, 1919, 1920, 1921, furnish an unreliable criterion of future developments.

GOLD MOVEMENTS NORMALLY DO NOT AFFECT GOLD PRICES

Considering first the importance of exportation of gold upon the gold production of the country, the conclusion may be drawn that gold, being dependent upon financial requirements, moves chiefly in response to the settlement of adverse trade balances with gold-standard countries, and that the use of gold in the arts, or commercially, is not influential in affecting its price. Silver performs a duty similar to that of gold in discharging indebtedness to silver-standard countries or countries on a gold-exchange standard, such as India. The movements of both of these precious metals are now mainly subservient to governmental regulations, though normally free and according to banking requirements.

Restrictions on the external movements of gold are more prevalent than for silver, and there is small likelihood of the removal of these gold embargoes in the near future, as nations cling tena-

ciously to their gold reserves. With the exception of the United States, many countries have prohibited the outward movements of gold, and the export of silver can take place only under government license. The United States permits the free exportation of silver, but through a legislative enactment, the Pittman Act, the Treasury Department is required to purchase up to 207,000,000 ounces of silver mined and refined in the United States at one dollar per ounce, an amount of silver that was sold for the same price during the war. This has virtually prevented exports of silver, as the foreign market is much below one dollar. All of the domestic production for the next four years will probably be directed into the vaults of the Treasury, unless, of course, an unlikely rise of silver in the world market to over one dollar per ounce should occur.

Thus, present export trade in gold and silver is unimportant to these respective metal-producing industries. Gold always commands \$20.67 per ounce regardless of export trade, and domestic silver will find its way into the vaults of the Treasury for several years to come unless the Pittman Act should be repealed. Normally about 50 per cent of the domestic silver production is exported—mainly to Asiatic countries—and there is hardly an industry more dependent upon export conditions. Silver's phenomenal rise in 1918 and 1919 was due almost wholly to the demand for the metal for the settlement of commercial balances with India and China.

Export trade is of varying importance for the other three metals in the group, lead, zinc and copper. During the war, foreign demand caused extraordinarily high prices and greatly stimulated production. Normally, however, export trade is of much importance to only one of these metallic commod-

ities, copper. The situation in each metal will be considered separately.

FUTURE EXPORTS OF DOMESTIC LEAD DOUBTFUL

Although the United States produces over one-third of the world's lead, and about as much as its two chief competitors combined, exports of lead made from domestic ores from the United States for the four years prior to the war were negligible. However, considerable quantities of lead from foreign ore were exported, the production from foreign ore and imports almost balancing. Most of the imported lead comes from Mexico to be refined in this country, and if not entered for consumption may be exported—the familiar principle of the "drawback," or a freedom from duty payment, applying. The following table brings out the pre-war position of the lead industry, its record during the stress of war, and the results of two years of readjustment, 1919 and 1920.

These figures do not take into consideration the export of manufactures, ammunition and articles in which the lead content is an appreciable item. However, the domestic trade felt the indirect effect of the lead consumption in other industries during the war.

There is little justification for hope of a change in the export situation to a pre-war basis. In 1920, importation of cheap pig lead was threatened time and again and foreign pig lead in large quantities actually did come into the country (27,300 tons in ten months). The difficulty which the United States must overcome in competing in the well-established international lead market, coupled with exchange difficulties, effectually prevents a profitable development of the outward movements of lead. Domestic production and consumption are expected to balance as before the war. The American industry, emphasizing its inability to

LEAD PRODUCTION AND MOVEMENTS¹*In Short Tons*

Year	Production		Imported Lead (Ore, Bullion, Re- fined)	Exports	
	From Domes- tic Ores	From Foreign Ores and Base Bullion		From Domes- tic Ores	From Foreign Ores ²
1910 to 1913 inc.	411,700	82,200	84,800	.....	70,300
1914.....	534,500	29,300	28,300	58,700	21,550
1915.....	537,000	43,000	51,400	88,300	38,600
1916.....	596,200	18,900	35,300	100,500	9,900
1917.....	579,400	62,300	78,250	53,700	37,700
1918.....	556,900	100,300	98,600	41,800	59,400
1919.....	427,800	57,800	71,400	10,500	40,900
1920.....	471,700	54,000	91,200	3,000	22,500

¹ This and other statistical information has been taken from the records of the *United States Geological Survey*, Department of Commerce, *Engineering and Mining Journal*, and the *Frankfurter Metallgesellschaft*.

² Excludes lead in manufactures exported with benefit of drawback amounting to about 10,500 tons annually prior to the war; 5,000 tons annually during the war, and about 2,000 tons in 1919.

compete in other markets, is protected under the Underwood tariff by a 25 per cent duty upon the metal in various semi-finished and finished forms and three-fourths of a cent per pound on lead contained in imported ores. This is greater protection than that enjoyed by the copper and zinc industries; in fact, greater than that accorded any other important metal. Australia, Spain, Germany and Mexico furnish strong competition for export trade in lead, and have been able to produce the metal at a cost equal to if not lower than that in the United States. Now they, with the exception of Mexico, can also benefit by exchange rates.

SITUATION IN ZINC EXPORTS NOT ENCOURAGING

The zinc trade of the United States closely parallels that of lead. In pre-war years exports of zinc from domestic

ores were small; from 1910 to 1913 inclusive they averaged about 6,300 tons annually, or little over 2 per cent of the domestic production, as the following table illustrates.

The war demands for zinc, however, were so insistent upon a large supply of this useful metal that domestic exports increased to 163,100 tons in 1916 and to 153,800 tons in 1917, and although there was a sharp drop to 80,200 tons in 1918, a rise took place the following year to 129,500 tons, chiefly on account of the idleness of one of the world's great zinc producers in Australia. The record for 1920 appears well in the aggregate, 86,000 tons, but when it is considered that during the last five months of 1920 exports had tapered off to a rate of about 500 tons monthly, it is likely that a reversion to a pre-war scale will take place quickly.

As in the lead industry, much zinc

ZINC PRODUCTION AND MOVEMENTS

In Short Tons

Year	Productions		Imports ¹ (Blocks, Pigs and Sheets)	Exports	
	From Domes- tic Ores	From Foreign Ores		From Domes- tic Ores	From Foreign Ores ²
1910 to 1913 inc.	296,300	14,000	4,900	6,300	11,100
1914.....	343,400	9,600	900	64,800	9,700
1915.....	458,100	31,400	900	118,600	12,800
1916.....	564,300	104,000	700	163,100	43,200
1917.....	584,600	85,000	300	153,800	66,200
1918.....	492,400	25,500	35	80,200	26,400
1919.....	452,300	13,500	70	129,500	16,800
1920.....	449,000	14,000	13	86,000	28,500

¹ There were also imports of zinc in ore, which is sufficiently accounted for under production from foreign ores.

² Includes zinc in manufactures exported with benefit of drawback amounting to about 4,100 tons annually prior to the war, 3,900 tons annually during the war and 4,500 tons in 1919.

material is imported to be manufactured and later exported, the net result of the operation being to avoid the payment of duty. Similarly, the domestic zinc consumption is normally a little below domestic production, and the industry is quite flexible and able to meet sudden demands put upon it. The zinc trade in the United States enjoyed unprecedented prosperity during the war, when remarkably high prices were reached and unusually large exports were made, but it is doubtful if a considerable proportion of this foreign trade can be held and highly probable that the condition of the industry will revert closely to the pre-war status, not only because of the difficulties that beset export trade in general—chiefly financial considerations—but owing to the lower costs of other zinc-producing countries.

Australia, Germany and Belgium are rapidly regaining their strength, eager to furnish competition in international

markets. The paralysis of the Australian zinc industry, due to prolonged labor troubles, has passed, and already this strong competitor is influencing the international market. Germany, Belgium, Great Britain, France and Australia have well-established zinc-smelting industries, and they will do everything to facilitate a return to former conditions. The zinc trade in the United States has a slightly better opportunity than the lead trade to expand its exports, judging from past records, but it faces a difficult problem—one that can be solved only as the general solution to the problem of export trade is found and domestic costs are lowered. Competition was at a minimum during the war, and its full force has not been felt by the American industry for many years. The tariff on zinc is 15 per cent on ores, slabs, blocks and pigs—less protection than the lead industry enjoys, and yet not sufficient to prevent the frequent talk

of and actual importation of zinc for consumption in the United States.

Germany, by the terms of the peace treaty and the probable loss of Silesian deposits and smelting plants, will not be able to hold second place in the zinc industry. The supply of German ore will be cut down two-thirds, and considering that Australian concentrates formerly shipped to Germany are being diverted elsewhere, the most logical source of importation of concentrates is the United States or Mexico. At all events, the best opportunity facing the American zinc export trade lies in supplying the Central Powers, but what measure of success will reward attempts to enter this field—Germany was formerly the second largest consumer of zinc in the world—will depend almost entirely on the attitude that the Germans adopt to the restoration of their industry and the facilities granted that almost bankrupt country by financial interests.

No concerted attempt is being made by the zinc trade to attack the problem systematically through an export association similar to that of the copper producers, and the industry is not any too well organized to know how it

stands with other countries, particularly in respect to costs and the technology of production. It has been frequently pointed out that there is an unhealthy secretiveness in the industry and an unwillingness individually to coöperate in lowering costs. Such an attitude will not help the industry in expanding its foreign trade, thereby benefiting itself and country. Perhaps also, because no organized attempt has been made by the American zinc trade to develop foreign markets, export trade in normal years was relatively unimportant. The obstacles to foreign zinc trade loom large, but would undoubtedly repay study in the endeavor to surmount them.

EXPORT TRADE OF GREAT IMPORTANCE TO THE COPPER INDUSTRY

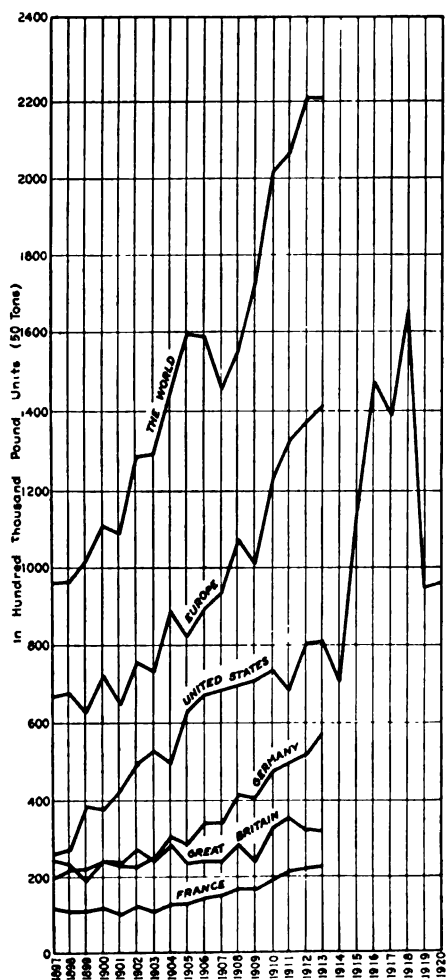
There remains for discussion one other metal of the group, the most important from the standpoint of production, utility and export trade of all of the non-ferrous metals—copper. Its position has grown stronger and more important with the development of the world's electrical industry, concurrently with the giant strides that have been made in the progress of using

COPPER PRODUCTION AND MOVEMENTS

In Short Tons

Year	Smelter Production from Domestic Ores	Imports	Exports
1910 to 1913 inc.....	580,500	187,300	399,500
1914.....	575,000	153,000	420,000
1915.....	694,000	158,000	341,000
1916.....	964,000	231,000	392,000
1917.....	948,000	278,000	563,000
1918.....	954,500	288,000	372,000
1919.....	655,500	214,500	258,000½
1920.....	617,500	244,000	305,000

more and more electrical power each year as shown by the chart on page 70. The set of curves on page 71 illustrates graphically the great in-



Total Copper Consumption by the World, Europe, Germany, Great Britain and France, 1897-1913 and by the United States, 1897-1920

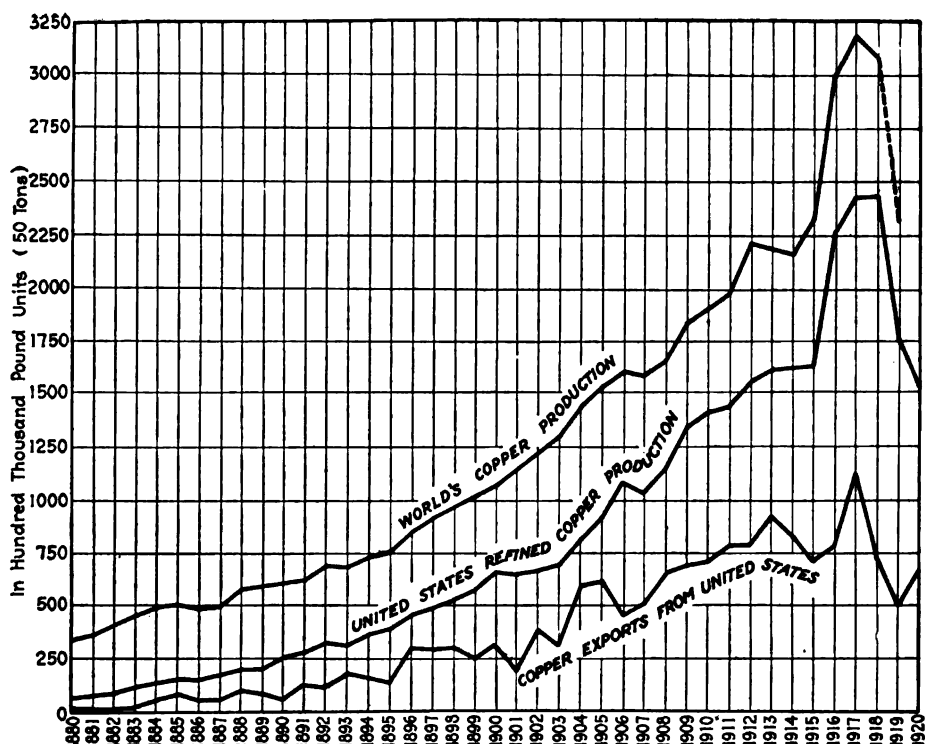
crease in the world's production of copper during the twentieth century. Production has almost trebled the pre-war rate during the war. The United States has had a remarkably rapid growth in copper production, as the curve indicates, and during the five

years before the war accounted for well over 60 per cent of the world's refined-copper production. This, however, includes the imports of crude copper from Canada, Mexico and South American countries, shipped to this country to be refined. However, the copper production of the United States itself has for many years been the largest in the world, and there is little probability of this leadership being lost. Compared with the relatively stationary production of other countries, the growth of United States copper production has been phenomenal.

It is striking that the nation's agricultural and mineral wealth in each of four important commodities, corn, cotton, petroleum and copper, is greater than that of any other country and that in each product foreign trade developed through the superabundance of our own natural resources and an effectiveness of labor which resulted in trade with other countries willing and anxious to consume this American produce.

As copper is an indispensable metal in modern life, our export trade in that metal has been a natural development of the effort of other countries to procure an adequate supply. With the vast resources available, it has been easy for the American copper industry to respond to any demand put upon it, whether a normal yearly growth in consumption or an acute war appeal. Furthermore, the heavy investment of American capital in South American copper mines, and the concentration of the refining of South American, Canadian and Mexican copper on the Atlantic seaboard, have helped to bring the world's copper market into the hands of the United States producers, whereas during the greater part of the nineteenth century the world's copper market was controlled by Great Britain.

The set of curves on page 71 indicates the world's production of refined cop-



Production of Refined Copper in the World and in the United States and the Exports of Refined Copper from the United States, 1880-1920

per and the production of refined copper and the copper exports of the United States. In pre-war years, as the curves show, well over half the refined copper produced in the United States was exported. In 1917, an important war year in which every effort was being made to speed production, the ratio of exports was lower—about 45 per cent; in 1919, 29.1, and in 1920, about 34 per cent. The decline was sufficiently pronounced to disturb the industry seriously, as the domestic consumption was in no condition to take up production on a war scale. This is well illustrated by the troubles of the largest copper mines in the United States—the “porphyries”—which are essentially large-scale producers and have lowest costs when producing at maximum capacity. The

success of their operation hinges largely on a tremendous daily output of ore, so that a difficult problem is presented in obtaining the proper flexibility of production required to meet conditions.

Immediately after the armistice, November 11, 1918, the copper producers were advised by the Government to maintain production at the war rate on the ground that an armistice did not imply a complete and ultimate cessation of hostilities. Acting upon this advice, production was maintained at 100 per cent of capacity to the end of the year—a short period after the Government had relinquished its interest in the copper industry's activities. It was virtually impossible to curtail output as quickly as might have been desired. A lessening of demand ensued, which, coupled with the reduc-

tion of the excess ore produced at the end of 1918—about four months' work—soon supplied the industry with heavy surplus stocks that have consistently plagued the producers and await a foreign trade revival to be eliminated.

THE WORK OF THE COPPER EXPORT ASSOCIATION

The pre-war method of exporting copper depended primarily on individual transactions. The largest copper producers usually had representatives in foreign countries whose duty it was to take care of their foreign business. Similarly, there were agents in this country of foreign consumers who looked after their European clients' copper requirements. Competition in foreign trade was keen. The war and Federal legislation have changed all this. Soon after the passage of the Webb-Pomerene Act in 1918, permitting combinations of enterprises to engage collectively in foreign trade, the copper producers of the United States, realizing the advantages accruing to them under this legislation, took steps to organize a Copper Export Association. This corporation has functioned since December, 1918, and has produced the machinery necessary to facilitate export trade in any volume. Practically all the copper producers in the United States are members. Together they account for about 80 to 85 per cent of production. Each member of the Copper Export Association participates in the business of the corporation on a production basis; that is, the larger a member company's production the greater the share of the association's business apportioned to it.

The Copper Export Association has had to confine its operations chiefly to the Allied countries, where financial arrangements could be more readily concluded. Political considerations prevented entering the German field

with the credit arrangements possible for France, England, Italy and Japan. However, the association has sold copper to Germany on a cash basis.

The financial arrangements cover an extension of credit to European consumers for a period of two years. Each consumer has a definite credit extended to him, the amount depending on individual circumstances and the financial standing of the purchaser. The use of bank acceptances is resorted to in actually executing sales, the association drawing on buyers, the commercial paper payable three months after date of acceptance. In addition to the financial and commercial standing of the copper purchaser acting as a warrant for payment, arrangements have been consummated whereby a group of banks of the highest standing guarantees the payment of the drafts at maturity. The privilege of renewing the drafts for one or two additional periods of three months each is also agreed upon, so that ultimate payment may be deferred for nine months. The Copper Export Association participates actively in the foreign market and makes its prices conform to market conditions.

With its foreign representatives, it keeps closely in touch with the requirements of European purchasers, and through the medium of copper stocks in warehouses at important seaports such as Liverpool, Rotterdam, Bordeaux, Hamburg, Bremen, Havre and Antwerp is enabled to fill each order promptly. The association is also enabled to supply each consumer with the particular brand of copper he may desire. Although there is practically no substantial difference between the various electrolytic copper brands shipped abroad, manufacturers frequently express a preference for one particular variety. No attempt is made to increase export sales other than through

the personal contact established by foreign representatives. An important feature of the method of handling export trade through an export association is that individual competition of copper producers—that are members of the association—in a foreign market disappears and only in the home market is competition keen. As with a well-balanced team, the personal welfare of the individual is subordinated to the common good.

Although theoretically one of the compelling arguments in favor of export combinations is the reduction in overhead costs and the elimination of a duplication of effort, the point has not been attained where this result has been fully felt, owing mainly to the decline in the volume of export trade. Maximum efficiency in an export combination is attained only when the volume of exports is on the scale for which the association was organized.

One circumstance which has affected the Copper Export Association's volume of trade has been the decline in the exchanges. After a contract between European consumer and the association has been entered into, and payment arranged according to the credit terms outlined, settlement must be made in United States dollars. When exchange is increasing, the foreign copper purchaser can advantageously discharge his obligation at a future date, but when exchange declines a larger payment in pounds sterling, or francs, as may be, is exacted. The purchaser takes sole responsibility for the fluctuations in exchange, and hence a certain amount of speculation is introduced in purchases.

Some criticism of the Copper Export Association has been made abroad on the ground that it is attempting to control prices arbitrarily and the conclusion reached that its attempt is doomed to failure. Such a criticism neglects

to take into consideration the fact that copper can be obtained in the United States in rather large quantities outside of the association and that European purchasers do not have to avail themselves of the facilities offered by the Copper Export Association. Criticisms of the sales policy adopted have also been made, but as in such matters a wide divergence of opinion is natural, this criticism is not of material force. Thus, American producers were criticized for holding their copper at 19 cents per pound in 1920 without making sales and then subsequently having to unload large quantities on the market at 13 and 14 cents. In explanation it may be said that producers were animated largely by the impression that a decrease in price would not result in pronounced increase in sales. Furthermore, the heavy sales of copper made earlier in the year were sufficient in volume to take care of practically the entire year's business, so that there was no incentive later on to enter actively into the market only to slash prices. There were also the consideration due purchasers of copper at the higher prices and the protection of their interests which fair trading demanded. As later events indicated, this policy was essentially sound. It is unfortunate that ill-advised criticism should have been directed against the association. To function properly, the Copper Export Association requires the good will of foreign consumers, and concessions must be made by both parties if, as in all trading, a mutually satisfactory bargain is to be struck.

AN ANALYSIS OF COPPER EXPORTS

In analyzing the normal foreign trade in copper and the more important copper manufactures, Europe is found to be the largest consumer, taking about 95 per cent of export shipments. Germany and The Neth-

erlands were ostensibly the best customers, together accounting for over one-half of the European purchases of American copper. Sales to France, Italy, England, Austria-Hungary and Denmark were also important, and although individually not comparable to the volume of Germany's purchases, materially swelled the aggregate amount. The following table is intended to exhibit the heavy European copper purchases from United States producers:

The Netherlands, Denmark, Belgium, Scandinavian countries and possibly Austria-Hungary should be considered. A warrantable estimate of pre-war American copper imports into Germany would be 500,000,000 to 550,000,000 pounds per annum; yet in 1920 only about 120,000,000 pounds of copper were purchased for that country. The logical effect of this drop in sales to a copper industry tuned to the greater rate of purchases is apparent. A large proportion of German copper

EXPORTS OF METALLIC COPPER FROM THE UNITED STATES IN POUNDS

(A) Exports in Per Cent of United States Production						
Year	To England	(A)	To France	(A)	To Germany	(A)
1910	98,000,000	6.8	116,000,000	8.1	176,000,000	12.2
1911	108,000,000	7.5	135,000,000	9.4	190,000,000	13.3
1912	95,000,000	6.1	131,000,000	8.4	252,000,000	16.2
1913	34,000,000	2.1	160,000,000	9.9	307,000,000	19.0
1914	198,000,000	12.9	150,000,000	9.8	177,000,000	11.5
1915	201,000,000	12.3	236,000,000	14.5	.....	....
1916	173,000,000	7.7	318,000,000	14.1	.....	....
1917	373,000,000	15.3	366,000,000	15.1	.....	....
1918	252,000,000	10.4	265,000,000	10.9	.....	....
1919	106,000,000	5.9	89,000,000	5.1	.....	....
1920	101,500,000	6.5	120,000,000	7.6	85,000,000	5.4
Year	To Nether-lands	(A)	To Italy	(A)	Total Exports	(A)
1910	222,000,000	15.2	34,000,000	2.4	708,000,000	48.4
1911	231,000,000	16.0	38,000,000	2.7	787,000,000	55.0
1912	153,000,000	9.7	47,000,000	3.0	775,000,000	49.5
1913	179,000,000	11.1	41,000,000	2.6	926,000,000	57.4
1914	126,000,000	8.2	67,000,000	4.4	840,000,000	54.8
1915	4,000,000	.2	107,000,000	6.6	682,000,000	41.8
1916	.....	....	98,000,000	4.3	784,000,000	34.8
1917	.....	....	153,000,000	6.3	1,126,000,000	46.5
1918	.....	....	122,000,000	5.0	744,000,000	30.7
1919	.....	....	65,000,000	3.7	516,000,000	29.3
1920	34,000,000	2.2	770,000	0.5	610,000,000	37.8

In pre-war years Austria-Hungary imported about 35,000,000 lb. United States copper, and Belgium 7,000,000 lb., annually.

It is now generally conceded that the heavy pre-war purchases of The Netherlands were for German consumption, seaports in Holland merely acting as points of entry to the Continent. Denmark's copper imports were made with a similar purpose. Thus, to obtain the true significance of German copper importations, those of

consumption was for the munition industry, but the basis of the large copper imports was predicated on a highly developed electrical industry which combed the world's markets for its export electrical trade and used great amounts of raw copper in electrical manufactures. Germany is at the heart of the copper export situation,

and any real stability to the export market is not to be expected until conditions in that country permit buying copper at approximately the pre-war rate.

The economic influences which depress copper trade with other nations (particularly fluctuating exchange rates) are stressed to a much greater degree in trade with Germany. Political and industrial uncertainties prohibit stabilizing the copper export trade with Germany to the same extent as with other European countries. The fixing of the indemnity, and the proper functioning of German industrial life under definite reparations, will do much to bring Germany back to pre-war importance in the copper trade.

Although the prosperity of the American copper producers is dependent largely upon the foreign demand for the metal, and the industry is bound to be depressed by an absence of such a demand in customary volume, the future outlook for copper is exceptionally bright. The world is living in an electrical age, and expansion in the use of electrical apparatus of all kinds, the utilization of the vast water-power resources in the United States and abroad, and a consequent decrease in dependence upon coal as a fuel will do much to further the demand for this cheap and efficient conductor of electricity. Some competition there will be from aluminum, another excellent conductor, but the use of aluminum is feasible only when the price of that metal is less than twice the price of copper. Hand in hand with the development of electrical power must proceed the necessary financing of various hydro-electric and electrification projects, to which liberal financial assistance must be given by nations in a position to relieve the acute fiscal embarrassments of European countries. Foreign trade in copper

thus depends upon events that must progress together. It is folly to take a disinterested attitude of detachment from the financial affairs of Europe.

The export trade generally in all non-ferrous metals produced in America, and in copper particularly, does not depend upon some advantage gained during the war, or on the financial and industrial helplessness of other nations, but upon the bountiful mineral resources of the United States, the efficient way they are mined and reduced, and the leadership of the United States in the world's production of most of these metals. Foreign trade has been but a logical outcome of the inherent advantage that our abundant natural resources have given us.

The problem of the copper industry is not one in which the loss of export trade, in part or in whole, is at stake, but, rather, how the present obstacles that hinder foreign trade may be overcome quickly. Exchange difficulties are the root of the trouble. Some manufacturers have circumvented the disadvantage of present exchange relationships by resorting to direct barter. Trading American-made steam locomotives for Roumanian oil was an example. It is also understood that shipments of copper were made to Germany to be fashioned into exportable manufactures and then turned back into the hands of the shipper financing the operation. Such methods as these are but temporary expedients that will be gradually subordinated to the more convenient arrangements existing prior to the war.

CONCLUSION

As before stated, foreign trade is normally directly important in only two of the five metals under discussion—copper and silver; for the others—lead, zinc, and gold—export trade is not a directly important factor. This

does not imply that it is not within the reach of the producers of these metals. It is to the credit of the copper producers that they have presented an almost unified front to the problem of export trade and have an organization authorized by recent legislation to solve it. The copper producers have been quick to see their predicament and to take the best procedure to remedy it.

The lead and zinc producers have already become timorous and are beginning to clamor for a higher protective tariff. This does not augur well for the ability of either of these industries to enter the international market. Raising the tariff on imports will probably provoke retaliatory measures on the part of Europe and make it more difficult to compete. The grad-

ual awakening of the zinc industry, the internal coöperation of the domestic zinc producers through the medium of their own organization, the American Zinc Institute, in an effort to compare and lower costs, will do much to help the industry in both local and foreign markets. But underneath all efforts to establish export trade stand the general economic conditions which hamper its development.

For the non-ferrous metal trade the lack of exports at any time will not be a calamity, for, viewed from the standpoint of conservation of America's mineral resources, our irreplaceable deposits of copper, lead, zinc and other metals will be conserved for posterity. In the meantime domestic wants can be adequately supplied.

Mexico as a Field for American Trade Expansion

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IT seems very probable that Mexico has emerged from the long period of social and political readjustment through which it has been passing since the Diaz régime. The decade since the dictatorship has brought many changes that on the whole are favorable. Mining, manufacturing and commerce have increased; the peons have been given greater liberty and opportunity; and latent strengths and weaknesses of the democracy have been brought to light. Undoubtedly there is now a more democratic Mexico, a more practical Mexico and a Mexico of more immediate potential power than at the beginning of the revolutionary difficulties.

It would appear that the elements of continued discord have finally been pacified and, what is most important, voluntarily so. Observers state that all are thoroughly weary of disorder and turmoil and are anxious to follow capable leadership. Every indication is to the effect that such leadership has been found. The period of the provisional presidency has passed without unfavorable developments. The newly inaugurated president is a person of strong personality and executive ability and appears to have the confidence of the republic and of foreign nations. Accordingly, there seems little reason to doubt that Mexico is now entering upon a period of enjoy-

ment of peace and of the economic benefits derived from its internal social reorganization. Mining companies, banks, exporters, manufacturers and others are laying their plans upon the supposition that this is true. Commercial travelers are crossing the border in ever increasing numbers; delegations representing chambers of commerce of various cities of United States are touring the country; transportation service is being renewed or increased; and mines, branch banks and other foreign enterprises are being reopened or initiated.

If, as appearances indicate, Mexico has entered upon a peaceful period of economic development it offers a field for American trade expansion that is perhaps the most favorable in the world. There are several reasons for this: (1) Mexico is not passing through a financial crisis such as is found in many of the countries of the world¹; moreover, the exchange between Mexico and United States is not unfavorable to Mexican purchases, whereas it is very difficult for most countries to buy in the United States; (2) the proximity of Mexico is an advantage and (3) the wants of Mexico are varied, and the market is therefore attractive to almost all classes of exporters.

A critical financial situation is faced by many countries considered by American exporters as possible fields for trade expansion. There have been failures of mercantile houses and banks and, in certain countries, notably Cuba, it has been necessary to establish a moratorium. The causes of these conditions are: the declining prices of export commodities, thus indicating previous over-speculation and decreas-

ing the purchasing power of the people; the decline in prices of import commodities, embarrassing merchants who contracted for goods at high price levels; failure of the countries to secure foreign loans; and unfavorable exchange conditions. But, in the case of Mexico, there was no extensive speculation and there was not the same degree of dependence upon a few export commodities so that the worldwide slump has not been felt so severely, though hundreds of mines have closed and other industries have accepted decreased profits. Nor had the merchants of Mexico contracted for such large quantities of goods as those of many other countries, and therefore the price recessions did not affect them so seriously or lead to such widespread cancellations of orders. Furthermore, Mexican exchange has been stable and consequently it is relatively easy to make foreign purchases. If its condition is contrasted with that of Argentina, where the peso is at a discount of 33 per cent on the dollar, it is seen that the American commercial traveler will have considerably less difficulty in making sales in Mexico.

Mexico has been likened to a cornucopia whose concave side faces the Gulf coast of the United States and whose mouth borders the United States for over 1,800 miles. In spite of the desert that in part intervenes, the natural lines of trade of Mexico are with the United States. Railroads cross the border at several points. The distance across the Gulf between Vera Cruz and Galveston or New Orleans is easily covered by a freight steamer in four to five days. This decreases the packing problem in the minds of the American exporter; in fact to judge by results he loses his apprehension so far as to become inexcusably careless. Representatives can be sent quickly and cheaply to guard the exporter's

¹ During December and January a crisis amounting almost to a panic swept over Mexico, resulting in the closure of several banks and a decrease in orders. However, this condition appears temporary and not as serious as in other countries.

interest. Communication is rapid and there is little loss through delayed or garbled cables. Misunderstandings over quotations, orders and deliveries do not easily occur, or if they do occur, they can be quickly adjusted. All of these factors make the Mexican market very accessible and attractive to exporters and especially to that large group which knows but little of practical exporting.

Another feature that renders Mexico of interest to almost every class of manufacturer and exporting house is its demand for goods of all descriptions. It is a land of torrid heat and biting cold; of dripping rain and sun-swept sand; of forest and grassy plain; of mines, plantations, grazing lands, lumber camps, fisheries and manufactures; of untamed Indians and cultured rich. In it are represented all contrasts; and, since it is a nation with an area of 767,000 square miles and a population of 15,000,000 inhabitants, its demands are great.

Complete statistics covering Mexico's trade have not been published since 1913, and the accuracy of the summaries appearing since that time is open to question. According to the official statement, however, Mexico's imports in 1918 totaled 164,470,035 pesos, the United States contributing 86 per cent. During the first ten months of this year, the United States exported goods to Mexico to the value of about \$152,000,000. Prominent among the exports to Mexico from the United States are foodstuffs, such as lard, milk, flour and sugar; textiles; iron and steel and manufactures thereof; lumber; petroleum products; coal; agricultural and mining machinery; automobiles. The country's needs during the next few years for these and other products will be greatly increased. Its railroads and highways must be rehabilitated; new construction work of

all kinds is being inaugurated; the mines and oil wells will require machinery and tools; plantations and farms will require agricultural machinery, pumps and engines; and the market for foodstuffs, wearing apparel, toilet articles and other goods will increase with peace and consequent prosperity.

In doing business with Mexico, however, American exporters may encounter a few obstacles which, it is believed, are mostly temporary and will disappear with the gradual development of the country and the realization of the plans of the new administration. Among the chief hindrances to the development of business with Mexico may be mentioned the lack of banking facilities, the credit situation, the need of loans for the reconstruction of highways, railroads, telegraphs, et cetera; possible legislation affecting trade; and the development of manufacturing in Mexico that would compete with imported products.

For several years the banking institutions in Mexico have been in a more or less disorganized condition, and until recently few banks have been able to continue business except in the City of Mexico. During the revolutionary period the banks, fearing raids and robbery, were obliged to send the larger part of their capital and deposits out of the country. For this reason exorbitant rates of interest had to be charged on the small amount of money retained. Under the old laws in Mexico, three distinct classes of banking institutions were created: the mortgage banks, banks of issue, and banks of promotion. The two mortgage or loan banks have been able to continue doing business, but are under government supervision. The banks of issue which were required by law to have a certain amount of reserves and, failing to comply, were taken over by the government are not now operating. Except for a few

private concerns, which handle drafts and do some banking throughout the republic, the only important institutions are foreign banks established in Mexico City. During the last few months, however, banking operations have been resumed or inaugurated. Favorable banking legislation has been introduced into the Mexican Congress, and it is felt, therefore, that the country will soon have an excellent banking system.

The American exporter has been rather skeptical, and perhaps unnecessarily so, about Mexican credits. He has made his competition with European merchants more difficult by demanding cash with order, sight drafts against documents in New York, draft against documents upon arrival of shipment at border, or other exacting terms. While Mexican banking facilities have not been so good as could be desired, long established and well-known houses have earned, and should be given, as much consideration as those of any other country. The financial responsibility of these houses can be verified through reliable credit agencies, the American Chamber of Commerce in Mexico, and American banks in Mexico City. When the European exporter is willing to give from four to six months' credit to houses of known reliability, it would appear that the American's demand for cash with order is unwarranted, and in fact, many Mexicans have called it insulting. The agent or representative of the American house in Mexico should be given the right to use his judgment in granting credit in accordance with the custom of competitors.

One of the greatest requirements of the new régime in the reconstruction of the country is adequate financial assistance. In natural resources Mexico is probably one of the richest countries of all Latin America; moreover,

the development of its resources is well advanced. The silver and gold mines have been worked for centuries; antimony, copper, lead, iron, coal and other minerals have been found and exploited. The production of petroleum is second only to that of the United States, and its possibilities can only be surmised. The forests of hardwoods in the south of the republic have scarcely been touched, and Mexico's varied climate and rich soil allow for greater agricultural development. Grains, legumes, cotton, tobacco, sugar, potatoes, coffee and cacao are now grown in large quantities, and fruits and vegetables are produced in sufficient amounts to supply the country. The revenue received by the government is now more than it has ever been, and it is believed that with a stable financial policy, interest charges on the foreign debt can be more than met.

Perhaps the most pressing problem of the country is the repair of roadbeds and the replacement of railroad equipment. Little economic progress can be made until the railroad situation is improved. Some equipment has already been delivered, and some repair and new construction work has been started, but large sums must be advanced to and expended by the government before any appreciable improvement is made.

With each successive administration in Mexico, new laws are projected and put into operation, and the late President Carranza promulgated an entirely new constitution which became effective May 1, 1917. On December 1, 1920, President Obregon took the oath of office, and it is to be expected that he will continue the custom of his predecessors of issuing decrees and enacting new laws. Former Provisional President de la Huerta had extraordinary powers permitting him to issue

decrees at pleasure, and considerable legislation was put in force through the use of these powers during his administration. New educational, agrarian, banking, mining, petroleum and tariff laws have been passed or are in process of legislation, and these developments should be closely watched by Americans in order that they may keep informed as to what legislation may interfere with or expedite the flow of business. Protective tariff legislation in particular is of the greatest interest to the American exporter.

At the present moment labor in Mexico is rather unsettled, but it is comparatively cheap, and the number of articles that can be manufactured in Mexico in competition with American products is very great. The United States can not compete with the native manufactures of such articles as the cheaper grades of textiles. The large variety of fruits and vegetables raised in Mexico will permit the establish-

ment of more important canning industries. There are now saddle and leather manufactures; sugar refineries; tobacco factories; factories for making soap, gold and silver ornaments, soft drinks, wearing apparel and numerous other things of less importance. As these industries increase in output so that the home markets can be conveniently supplied, import tariffs will be established to prevent foreign competition. Such legislation may inconvenience individual exporters, but it is difficult to conceive of any legislation or other obstacle that can prevent increase in exports from the United States to Mexico. Between 1909 and 1919 the value of exports increased from \$49,793,323 to \$131,455,101 or 160 per cent, in spite of revolutions, the world war, and other unfavorable factors. It is safe to predict that during the next decade the increase will be much larger, in spite of declining valuations of declared exports.

The Present Outlook for United States' Trade with Germany

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TRADER does not develop naturally between two countries technically in a state of war. The War Trade Board ruling 814 was amended on July 8, 1920, so as to allow "all persons in the United States on or after July 8, 1920, to trade and communicate with all persons with whom trade and communication are prohibited by the Trading with the Enemy Act," but the legal status of contracts between American and German citizens and the degree of protection which their property would enjoy are subject to much uncertainty.

Germany, from her side, has in

many ways facilitated American business. No forced liquidation of American firms has taken place during the war, and the law of April 21, 1920, provides for the reinstatement of foreign patents and announces that the period from August 1, 1914, to July 31, 1919, will not be counted as part of the legal duration. The fact that through our failure to ratify the Treaty of Versailles we forfeited the benefits assured under §297, with the result that American firms in Germany are now subject to the payment of the *Reichsnotopfer*, is embarrassing to those firms, but does not seriously interfere

with trade. An effective channel of trade information has been reestablished through the American Association of Commerce and Trade of Berlin, which recently has opened offices in New York under the name The American Chamber of Commerce of Berlin, and whose official organ, *Transatlantic Trade*, is devoted to German-American trade information.

Whether a rapid revival of trade can be expected after peace is finally declared and whether this trade will hold out large benefits to American industry are questions which can only be tentatively answered after a consideration of the principal factors involved.

Germany's unfavorable commodity balance of some \$100,000,000 in 1913 is largely accounted for by the income of the German merchant marine, which at that time represented approximately 10 per cent of the total world tonnage, and by the income of foreign investments. The reduction of the merchant marine to 300,000 gross tons, the loss of the colonies, the liquidation of oversea investments, the confiscation of trademarks and patents, and the destruction of marketing organizations have cut into the means formerly available to Germany for the payment of its imports. German imports must in the future, to a larger degree than before the war, be paid for by exports. The higher the payment exacted under the terms of the Peace Treaty, and the lower the price at which commodities will be accepted in liquidation of the debts, the greater the flood of commodities from Germany must be.

RAW MATERIAL IMPORTS

Territorial losses will compel Germany to import a larger share of its raw material. In order to maintain its iron industry on the same basis as in 1913, assuming that the building of new factories will equalize the loss of

the Alsace-Lorraine and Silesia plants, Germany will now be obliged to import at least 35,000,000 tons of ore yearly as compared with 14,000,000 tons before the war. The reduction in population resulting from territorial and war losses would, under normal conditions, have meant a decrease in the import of foodstuffs. The falling off of domestic production resulting from war neglect, lack of fertilizer and diminished labor efficiency, combined with territorial losses, make Germany at present, more than ever, dependent upon the outside world.

The amount which Germany must import in raw material and foodstuffs in order to reestablish a normal economic life is still further increased by the total exhaustion of all reserve stocks. Economically, Germany is living a hand-to-mouth existence, and it can not return to a normal economic life until the stocks necessary to give industry and commerce stability have been replenished, and the machinery of industry and transportation has been restored to its full productive capacity. The American business man must, therefore, realize that the country which has always been represented to him as his most dangerous trade rival is now placed in the position where its former enemies exert themselves to force it to increase its exports of manufactured goods and to restrict its imports to necessary raw materials.

Only through a rigid and unrelaxed control of imports and exports can Germany hope to meet the present emergency. This necessity of government control, though denied by many interests in Germany for reasons not difficult to fathom, becomes the more urgent on account of the depreciation of the mark. If Germany were to permit the laissez-faire principle to operate, as she saw it operate in 1919, she would very soon be depleted of the

goods which form the only means of payment for the imports she needs so badly. In those days it occurred that entire factories were dismantled, and the machinery sold abroad because the factory could not operate on account of the lack of raw materials, and because the machinery brought attractive prices in marks. At present government control has become even more necessary because of the discrepancy in purchasing power between the mark held within and outside of Germany. Imports of foodstuffs paid for in marks not withdrawn from domestic circulation, the flood of goods through the "hole in the West," which the government was for a while unable to stem, the "flight of capital," and the discounting of Germany's obligations under the Peace Treaty have all been responsible for this.

Germany now operates under a *Zwangswirtschaft*; industry and commerce are largely placed under control of the government itself, or of the strongly organized industrial associations operating in harmony with government purposes.

THE "PLANWIRTSCHAFT"

Trade with Germany in the near future will be determined largely by the "Plan" according to which Germany is to rise. The *Planwirtschaft*, which gradually forces industry, transportation, banking and commerce into an economic lock-step, will operate according to the following principles. Imports should be reduced to a minimum through the most complete utilization of domestic resources. The greatest productive capacity should be obtained through standardization. The production of non-essentials should be limited. A carefully worked-out international price policy should reconquer the lost markets and accumulate the highest possible foreign bal-

ances to be used for the payment of debts and of purchases of raw materials.¹

The organization of a *Planwirtschaft* is much facilitated by the very pronounced tendency on the part of all business enterprises to combine. Scarcity of raw materials makes vertical combination the natural method to secure stability in supply and price. The loss of branch establishments through loss of territory and forced liquidation drive the crippled organizations into new alignments. Absorbing already established concerns is the quickest method to secure larger productive capacity, since the building of new plants is at present both time-consuming and costly. By acquiring larger assets subject to depreciation and especially by acquiring them, at least on paper, for the prevailing high prices, the possibility of much enlarged depreciation accounts and other secret reserves, is offered as a welcome cloak with which to hide the enormous profits resulting from a rising price level. The funds made available through liquidation in enemy countries enable the larger plants to absorb the smaller, purely domestic concerns, who, through the depreciation of the mark and the resulting high operating costs, are in pressing need of acquiring more working capital. The boom in the stock market makes it possible to obtain outside capital cheaply and readily. The monthly new offerings on the Berlin stock exchange average more than 1,000,-000,000 marks.²

It is indeed open to question whether the general adjustment of the financial life of the concerns to the inflation of

¹ See Director Lusensky's address before *Deutsche Weltwirtschaftliche Gesellschaft* reported in *Weltwirtschaft* July, 1920, p. 208.

² See Dr. Felix Pinner "Sozialisierung und Vertristung," *Berliner Tageblatt*, Nov. 27, 1920.

values will not in the end hamper their competitive position, especially since most of the capital increases are obtained in the form of cumulative preferred stock, and are frequently used to purchase assets which are certain to slump in value as soon as the shortage of coal and ore has been alleviated. For the present, however, the combination movement offers an easy opportunity for the control of the development of industry.

The desire to make the domestic resources supply industry as far as possible, finds practical expression in many directions. It may be expected that the fuel problem will have been effectively solved within the next five years by an increasing use of lignite, by technical improvements in engines, and by hydro-electric developments which are now under way. The economies resulting from these measures now taken as a matter of necessity may in the end improve the competitive position of German industry. A determined effort is made to make aluminum take the place of copper in order to do away with the necessity of importing large quantities of ore which would be needed to satisfy the copper hunger of German industry.¹ The development of the electro-chemical industry will cut down materially the need for the importation of nitrates, which before the war amounted to approximately 180,000,000 marks a year.

The *Reichswirtschaftsrat* has declared itself in favor of eliminating all economically unimportant industries, but it is not likely that this will be carried into practical effect with respect to those luxury industries which produce also for export. The wide margin between raw material costs and the price of the finished article make them

under present circumstances ideal export products.¹

Probably the most significant development is the increasing interest shown in the standardization of industry, a movement which was initiated by the *Verein Deutscher Ingenieure*, in May, 1917, and aims to obtain greater economy in production by cutting down the duplicate repair stocks necessitated by individualization. The direct effect of this "normalization" upon the world markets will be conditioned by the world's willingness to purchase standardized articles.

On the whole, costs of production are low in Germany. Food, coal and iron are maintained at prices below those prevailing in the world markets. Wages are in most industries far below those of the other European countries. A skilled workman receives approximately sixty marks a day, or, at the present rate of exchange, about ninety cents. Many industries, more especially those not dependent upon imported raw material are, therefore, in a position to underbid in the world markets. In the machinery trade, in aluminum, and enamelware articles, and in the specifically German lines, such as toys and chemical products, the Germans are at present underselling English and American manufacturers by as much as 50 per cent.²

The deflation, which has taken place over practically the entire world with varying violence, has stimulated, rather than hampered, German industry. It has made possible the purchase of raw products at more reasonable prices, and has offset, to a large

¹ See Hermann Muthesius "Qualitätsarbeit und Luxusbekämpfung," *Berliner Tageblatt*, October 31, 1920, and Hans Kraemer, "Die Kampf gegen die Luxusindustrien," *Deutsche Wirtschaftszeitung*, September 15, 1920.

² See *Commerce Reports*, January 10 and January 30, 1920; *The Times Trade Supplement*, December 18, 1920.

¹ See *Commerce Reports*, January 5, 1920, and August 4, 1920.

degree, the effects of continued inflation at home. It has also induced sellers to give more liberal credit terms in order to facilitate the movement of stocks.

FEAR OF GERMAN DUMPING

Isolated notices with respect to German competition, which continue to appear in consular reports and trade journals, have not failed to arouse a fear for German dumping which is not entirely without foundation. As long as the mark is depreciated in terms of gold, as long as domestic prices do not fully express this depreciation, as long as the currency of Germany is not in some way linked to a gold foundation through convertibility of the present mark, or of some new currency to be created in the future, Germany will remain a reservoir of potential dumping. There are, however, compensating factors.

Two significant suggestions appear in a notice in the Board of Trade Journal of December, 1920: one, to the effect that practically all the articles about which there is a complaint of dumping in England do not require an export license in Germany; the other, indicating that the complaints refer not so much to the volume as to the skill with which the goods are placed on the market. The law which at present controls German exports, dating from December 20, 1919, requires an export license for all goods. No licenses are issued unless the prices at which the goods are sold correspond closely to the market price in the country of destination. In the case of countries of less depreciated currencies quotations in that foreign currency are usually prescribed.¹

The trade associations charged with the administration of this law are at

¹ For a complete description of export licenses see W. Pahl, *Die Auszenhandelskontrolle*, Berlin, 1920. Some articles among which clocks, toys and textiles are excepted.

present using greater care than formerly to adjust German export prices to world prices, though hampered by a lack of reliable channels of information. The desire to create foreign balances and not to arouse the animosity of foreign governments which would lead to anti-dumping legislation, such as is contemplated at present in Sweden, Denmark, Norway, Switzerland, Finland, England, Argentine and Japan, and against which under the terms of the Peace Treaty Germany has no means of defense, will induce them to use the greatest possible care.¹

There are other factors which also make the danger of wholesale dumping less imminent. Inability to guarantee delivery, and in some cases to guarantee stability of price, coupled with a poor quality of workmanship and not infrequently, also, of material, are not trade-building factors. German labor may be cheap—it is also inefficient. The glass industry reports a 30 per cent production with a labor force equal to pre-war standards, while the German Potash Syndicate estimates the individual productivity of the workman at about 50 per cent.² The failure of German firms to abide by their contracts and the practice of the export offices to quote prices, which frequently allow dealers to supply their need more cheaply through some middleman in another country than from the German factory direct, lead many firms to prefer to buy at high prices elsewhere, rather than face the risk of handling German goods.³

¹ See Dr. Julius Wolf, *Valuta und Finanznot in Deutschland*. Stuttgart, October, 1920.

² See Dr. W. Vershofen, "Porzellanindustrie und Exportwirtschaft," in *Weltwirtschaftszeitung*, June 25, 1920.

³ See Dr. Th. Metz, "Lieferfristen," *Weltwirtschaftszeitung*, June 25, 1920; also Mr. Q. J. Terpstra, "Nieuwe Beroering in Onze Metaal Industrie," *Economisch-Statistische Berichten*, January 14, 1920.

The lack of working capital and the increased costs of bank credit¹ make it necessary in practically every case, not only to do business on a cash basis, but also to make a substantial deposit when placing an order. Low prices may not prove a sufficient inducement to overcome all these trade difficulties.

With the exception of certain raw materials and food products, no goods can at present be imported into Germany except on license. American goods are now finding their way into Germany, but they are almost exclusively raw products, foodstuffs and manufactured articles, which may be classed as necessities. In so far as import licenses can be procured, there is in Germany at present a good market for luxury articles on account of the shifting of wealth into the hands of those little accustomed to it.

The very circumstances which make imports difficult make Germany an attractive field for the investing of American capital. The domestic market is hungry for goods, while low operating costs under proper management make Germany a natural distributing center for Europe. The National Cash Register Company is now building a factory in Germany, while during June, 1920, the Amstee Company was organized in Berlin by the American Steel Export Company, the Automotive Products Corporation and the Eastern European Trading Company. Germany's capital shortage is attracting also capital from Holland, England, France, Sweden and Switzerland.

This *Verfremdung*, or, denationalization of German industry, is causing no little concern in Germany. From the point of view of American industry the

¹ In an article in the *Berliner Tageblatt* of October 19, 1920, "Die Verteuerung des Bankkredits" the author quotes a case in which, in consequence of the method of figuring the turn-over tax on accounts current, one firm was charged 52 per cent for credit accommodation.

investing of American capital in Germany must be looked upon with favor. The shift in capital will aid in rapidly and permanently rehabilitating and stabilizing the foreign exchange rate while avoiding the flooding of our market with German goods.

THE "VEREDLUNGSVERKEHR"

Of no less importance is the development of the *Veredlungsverkehr*. This is a method of international coöperation by which the German manufacturer is supplied with raw products with the understanding that he shall turn over to the foreign merchant a certain percentage of the manufactured goods. Throughout the process raw materials and finished goods remain the property of the foreign firm until the German manufacturer has liquidated his loan. Special facilities are offered by the German government for the development of this method of coöperation. It forms the most effective and economic means of translating German labor into purchasing power in the raw material markets. It has, moreover, from the German point of view, the advantage that the manufacturer is no longer tempted to import excessive amounts of raw material, using bank credit, or pledging his factory as security. The foreign merchant, moreover, bears all risks of changes in the market prices. On the other hand, the foreign firms profit not only by the cheap costs of production, but also in their being able to control the character of the finished goods, the place where the goods shall be marketed, and the price they shall bring, thereby affording greater protection to their own domestic industry. An additional benefit accrues to both from the use thus made of an already existing sales organization. In order to protect the interests of the foreign firm a number of trust organizations have

been organized which will guarantee that the raw material supplied will be used as provided for in the contract, and that the property rights of the foreign firm will be fully protected.¹

According to the *Deutsche Wirtschaftszeitung* of May 1, 1920, a company was organized in New York with a capital of \$2,000,000 for the purpose of supplying raw cotton to German firms and accepting finished goods in payment. The Lancashire textile firms and those of Holland and Italy have established this method of coöperation with the German factories with varying degrees of success.

The ultimate effect of this method of trading is not different from that of the direct barter established through the Swiss Barter Institute,² and through private organizations like the Central European Trading Company of London, which exchanges raw products for their equivalent in finished goods with the firm Schubach, Thiemer & Co. of Hamburg.

In principle, the difference between the *Veredlungsverkehr* and the direct barter method lies in the fact that the former is essentially a credit transaction financed by the owner of the raw material, while the latter is as a rule a cash transaction.³

The barter method allows the German dealers to procure their raw materials in exchange for essentially German goods and allows them greater freedom in selecting goods for this exchange which possess a large degree of

¹ The *Deutsche Waren-Treuhand A. G.* of Hamburg, organized in the spring of 1920, is one of these institutions.

² A detailed description of the *Schweizerische genossenschaft für Warenaustausch* can be found in *Die Schweizerische Volkswirtschaft im Übergangsjahr 1919*. Published by the *Schweizerische Bankverein* of Basel.

³ The *Geschäfte mit Valuta klausel* as practised by the Swiss Barter Institute are credit transactions in which the country of low exchange supplies the credit.

value with a low material cost.¹ Without being embarrassed by currency difficulties, they secure all the benefits of the world market price for their finished goods. The advantages are to some extent offset by the necessity of employing middlemen and by the government export regulations which have thus far not favored this method of exchange.

Germany as a buying and selling market for America presents, therefore, the following picture. It is a country of a low standard of living and a depreciated currency, and, therefore, of low costs in many manufacturing lines, except in those lines where raw material or capital investment are the determining cost factors. Exports and imports are controlled both as to price and volume according to the needs of the country and of German industry, which constantly is becoming more centralized and more easily whipped into line. On the whole, it is a poor place to sell and a good place to buy. Many factors contribute to lessen the danger of this situation. Everything which contributes to raising the price level in Germany in terms of gold will accrue to the benefit of American industry. Indiscriminate export credits will depress the mark still further and will aggravate the situation, except in so far as these credits are fully covered by reëxports of finished goods. The investment of American capital in German industry will have a salutary effect in hastening the rehabilitation of the mark and in allowing some measure of control in the sale of finished goods.

Another method of coöperation by which both sides would profit may be found in agreements which would allow American manufacturers to act as distributing agents for German goods

¹ This is spoken of in Germany as a "high production coefficient."

in the American and foreign markets. The Germans would save time and expense in being relieved of the necessity of rebuilding their own sales organiza-

tion, while American interests would profit by being able to control to some extent the basis of competition with American industry at home and abroad.

The Chinese Consortium and American Trade Relations with China and the Far East

By THOMAS W. LAMONT
J. P. Morgan and Co.

EXAMINATION of American trade relations with the Far East and the problem of their future development along peaceful lines offer to manufacturers and merchants an interesting field of large opportunity, and to students and statesmen a realm of useful study. We front the Pacific basin with a great coastline and have in it the important outposts of Hawaii, the Philippines, Guam and our part of the Samoan group. Its trade on our Western coast, in Japan, in China, in the East Indies, in Australia and the South Seas is expanding rapidly, and each year must add to its volume and to the importance of our political, social and cultural relations to the nations which participate in it. In time there must be duplicated, possibly exceeded, all that has been done in the Atlantic basin. Therefore, there lies before us as a nation no more important problem than the ordering, in peace, of the part that we are to play, in our several relationships to it, in the Western ocean.

Survey—even cursory—of our past experience there is both instructive and interesting. Some excellent things disclose themselves, but the chief conclusions that came to me from my survey were, first, that our changing government had failed almost invariably to maintain a consistent or constant policy, either toward its neighbors or towards its own traders; and, second, that our commercial efforts had been

sporadic and not sustained. Probably the first inconstancy reacted upon the second, and it is likely that the extraordinary developments at home that followed the discovery of gold in California and our Civil War served to make us self-centered in our business effort. This alternate development and contraction is curiously exemplified by our commercial experience with China where our trade has moved in a series of definitely marked cycles. We began there with the romantic and inspiring era of the clipper ships which, sailing chiefly from New England ports, began in colonial times to trade with China. Slow at first in expansion, our trade finally grew in importance. After that, in the middle of the last century, came the period of the great American hong or business houses in China, established by merchants from New England and New York. These hong, after years of extraordinary prosperity, one by one, surrendered the field to British and European traders, no doubt because American ships had by that time disappeared from the sea and without ships competition with the Europeans was impossible.

There was still another era, developed first by the enterprise of our western merchants, and the Pacific Mail Steamship Company, supplemented later by the Canadian Pacific Railway, the late James J. Hill, and men like Robert

Dollar. The extension of Japanese steamer lines to our coast aided in its development, as did the events which flowed from Dewey's victory in Manila bay. This particular cycle contracted somewhat when the production of wheat and flour in Siberia curtailed our export trade in those products, and it was adversely affected by other circumstances. But a large volume of business continued and still continues from it.

It should be pointed out that our trade with Japan has followed an entirely different course, although the balance of trade there has almost invariably been against us. Beginning in the closing decades of the last century, trade has expanded until the United States is now Japan's best customer, and Japan in turn takes a large and assorted quantity of our products. The latest figures indicate that approximately 40 per cent of Japan's total export and import trade is with the United States.

It would appear that we are on the threshold of still another and greater era of commercial relations with China, and all the Orient. From every standpoint the situation is worthy of intelligent consideration, preparation and treatment. As to both national policy and the interest, organization and general equipment of our business men and corporations, we are probably in a more advantageous position than ever before. Yet it remains to be seen how we shall respond to the approaching opportunity. John Hay gave his genius and his name to our greatest constructive policy as to China, potentially the most important of the Oriental states; and his dictum of the "Open Door" and equality for all in China, of the preservation at the same time of the integrity and sovereignty of the old Empire, now changed to republic, has been extended by Knox and

Lansing until—in basic matters of economic development—it seeks to accomplish international coöperation in and for China, as opposed to international competition and rivalry.

PURPOSE OF THE CONSORTIUM

The Consortium for the assistance of China, recently organized, is the expression of the Hay policy as developed by his successors. Just as, a generation or two ago, there was the tendency of the great nations of the earth (except the United States) to encroach unduly upon the sovereignty and national assets of China, to take material advantage of the political weakness of that country, so the Consortium now offers itself as an offset to, and substitute for, that old policy. That was a nationalistic and political formula which in China was creating spheres of influence detrimental alike to the Chinese and to the happy development of commerce by the rival countries. The inevitable result of this process was to engender jealousies that were dangerous, especially when China, in evolution from monarchy to republic, was incapable of resisting aggression.

The investment groups composing the Consortium and the governments (American, British, French and Japanese) which urged its organization, hope that, by substituting coöperative for competitive effort, China can gain the support and development she needs at lower cost and at infinitely greater security to herself; that she can have opportunity to gain her stride; and that the reflex of all this upon the nationalities represented in the Consortium—or partnership—will be wholesome. The Consortium does not purpose to engage in private business or banking in China, but to concern itself with the larger basic enterprises like railways, highways, water communications, terminals, currency reform,

etc. If this program can be carried out—and there does not appear to be any good reason why it can not—the results will be of far-reaching influence and importance. In the first place, China needs better transportation and communication. She has good waterways, but they should be improved. Her seven thousand miles of railways, in a territory larger than the United States, are wholly inadequate. Great areas, many of them now highly productive, are shut off from one another, and some of them have no outlet of any kind. The adverse influence of this condition on the business of the country and upon the social and political life of the people is at once apparent. Adequate transportation and a sound currency would give a great impetus to agriculture, the chief industry of the country, permit the development of the practically untouched national resources, improve political conditions and give to all private enterprise the stimulus that comes from greater stability.

The Consortium is an expression of a new attitude toward China and the Chinese. Heretofore, with some notable exceptions, no one has been particularly concerned about the condition of China. From time to time efforts from outside, looking to change and improvement in China, have been made, but most people looked on with indifference, content to let matters take their own way. Some were cynical about it, others even preferred a weak China. But now, on the part of almost all the outside nations, there is a distinct desire to improve conditions and a growing realization that a stable, solvent, orderly China is a better neighbor and customer, and a less dangerous political entity, than a China, weak internally and externally, retrogressive, and the prey of governments and unscrupulous or grasping indi-

viduals. One of my cynical friends tells me all this arises because the invested and commercial stakes of the powers are now so large that they are becoming concerned lest they lose them. This fact may have some influence, because everybody's stake is large and the chances for everybody materially will be greater and better in an orderly, progressive China; but I refuse to accept it as the chief reason. My belief is that the new attitude bespeaks the greater enlightenment, the greater sense of human justice, the higher appreciation of the rights of our competitors that—despite the terrible setbacks of the Great War—have come to all nations in recent years.

NATIONAL CONSCIOUSNESS IN CHINA

China gives much promise of rising to the new opportunity that is opening to her. China, for years, clung tenaciously to her age-old traditions and customs while her nearest neighbor—Japan—was seizing all that was best in modern life. China lived in the past and was likened to a slumbering giant. But now that giant is awakening from the Rip van Winkle slumber that had run for nearer twenty centuries than twenty years. The giant is rubbing his eyes and opening them to new visions. There is a great growth of national feeling now going on in China, a feeling that, if we Americans encourage and assist it, is bound to liberalize, to modernize China. Among the universities there is close study of government and economics. Chinese students, who are the most apt students I have met in the whole world, are scattering throughout their country and spreading the gospel of better government, better living. We must not be misled by press reports of disorder and factional fighting in China. It is true that there is lack of organization, that the central government is not strong. It is less than ten

years since China shook herself free from the thrall of an ancient and absolute monarchy. She can not be expected to settle down into the grounded ways of a modern republic without occasional setbacks. The point to remember is that she is making steady progress. China, in her march towards stable self-government, has to traverse valleys as well as hills before she reaches the heights whence she can view the promised land of genuine stability.

AMERICAN OPPORTUNITIES IN CHINA

The thing to remember is that in China's march forward she is looking to America for her guide, her counselor and her friend. This feeling is due to several circumstances—one, the renunciation for almost twenty years by the United States of her share of the Boxer indemnity, a good part of this fund having been devoted to the education of Chinese students in America. A greater reason for China's friendly sentiment is that the United States has never sought to exploit China nor dominate any part of her territory. While other nations have been making profits from their trade with China, America has poured millions of dollars into the work of medical missionaries and the improvement of sanitary conditions in China. The new and wonderful medical school and hospital, erected in the center of Peking by the Rockefeller Institute, alone cost six million dollars, and its endowment will require another half million dollars per annum. The Chinese are intensely human. Of course they appreciate such a spirit of sympathy as has been shown by America; they give us their confidence. This confidence is a business asset to America, and such a confidence must never be abused. Rather, it must be fostered by high commercial ideals.

I never imagined—until I went out there—a region calling for the products

of American industry so strongly as China will call in the next twenty years. A great system of railways must be built, and its inception should not be long delayed. Those railways will require a fair share of American steel, of American bridges and of American equipment. The country calls for electrical equipment, for all the multitudinous forms of farming implements required in that intensely agricultural land, now cultivated with the rude implements of the long ago. China will demand cotton mill machinery on a greater scale, and machine-making tools. Then it will require quantities of mining machinery for both the baser and the precious metals. Finally, those four hundred millions of kindly, honest and highly intelligent people will require, on a prodigious scale, the many domestic appurtenances that American ingenuity has evolved. Americans will find many attractive opportunities to engage in various enterprises in China, in coöperation with the Chinese. We can give them experience in engineering, manufacture, machinery and organization; they can be tremendously helpful as to labor and the various local problems that an inexperienced foreigner does not understand; they also can furnish their share of the capital. Several such enterprises are operating and the results are most promising.

MILITARY PARTY AND LIBERALS IN JAPAN

It is difficult to discuss the future trade and financial relations of the United States and Japan without considering the political relations. We are hearing a great deal of Japan these days, some of it good and some of it bad—some of it true, much untrue. Scores of people have asked me since my return: What is the real Japan? I find a tendency on the part of

most people to be either intensely pro- or anti-Japanese. Now the truth is that no one can meet the Japanese upon intimate terms and leave them unmoved by admiration and friendship. At the same time, no one studying their conditions can fail to detect certain serious defects in their government and political institutions. It is not true that Japanese men of business are sharp and untrustworthy. The Japanese business men are not as frank as we are. They want to be, but they do not know how. For generations they have been taught reserve. It is bred in the bone and in the flesh. But I want no more honest person to deal with than the Japanese business man. As far as he alone is concerned, you can well afford to trust him and to enter into important relations with him. Japan is commercially today under a handicap which I should hardly attempt to analyze if it had not been done for me by the Japanese themselves. This handicap is the policy of the so-called Military Party which, of recent years, has been so strong as almost to constitute an actual supergovernment.

There are two schools of thought in Japan and the cleavage is a deep one. In general, the men of affairs—manufacturers, great merchants and bankers—are liberal in their ideas. They believe, as we do here in America, that a nation's development, to be sound and sure, must be along lines of peaceful trade and the cultivation of good will. The other party in Japan, the Militarists, have a somewhat different philosophy. They might not admit it, but if you study their actions you will realize that they still think the world is ruled by force rather than by ideas. They believe in a mighty army and navy. They are sincerely convinced that Japan's safety and future lie in having a dominating influence on the

continent of Asia. They have taken Korea and made it a part of Japan, incidentally improving its material condition distinctly. They hold Port Arthur. They took Shantung from the Germans in the recent war and up to date seem to have Japanized it far more completely than it was ever Teutonized during the years that Germany held it. They have occupied Vladivostok on the Siberian coast; they control the mouth of the Amur River and they have recently over-run the Russian half of the island of Saghalien. In reciting this I am not criticizing: I am merely summarizing what the newspapers have told us hundreds of times.

The Japanese Military Party have pursued this policy on the theory that in these measures lay the only sound defense of national safety that Japan could devise. They sincerely feel that to make a food supply certain for their growing population domination of a part of Asia is necessary: ordinary trading is not secure enough. This is a political philosophy which is perfectly understandable. But in the pursuance of its policy, according to the liberals in Japan, this Military Party seems to have overlooked certain economic considerations. Their efforts in China, their expeditions to Siberia have been enormously expensive. And the increase of the navy and the maintenance of the army are a serious burden upon the people of Japan. Her national debt is inconsiderable, but her taxes are heavy, and an extraordinary proportion of her budget is for the military establishment. Japan is not a rich country in natural resources, and her people can not afford these heavy outlays unless they bring in compensating dividends. They do not. On the contrary, they seem to bring liabilities. For instance, because of Japan's "twenty-one demands"

served on China in 1918, and because of her action as to Shantung, there has been an intense boycott of Japanese goods throughout China. Japan has lost—at any rate, for the moment—a part of her most valuable foreign trade. As one of her leading government officials said to me, in Far Western slang, "We are in terribly Dutch in China. By becoming partners in the new consortium with Americans, who are popular in China, we hope now to fare somewhat better."

Meanwhile, Japan would welcome American capital on a large scale to develop her own industries. She has a limited supply of coal and is anxious to develop her water powers on a grand scale. She feels sorely the need of building good roads and of constructing new trolley lines. The United States will, as time goes on, be in a position to supply a good part of this demand. Our investment community can furnish much of the capital; our manufacturers can supply much of the machinery and equipment that are needed. At the present time, however, the apparent policy of Japan's Military Party will prevent any such American coöperation on a grand scale. We shall continue to buy Japan's silks and trade with her along ordinary lines, but we shall hardly be encouraged to accept her invitation to coöperate actively in the development of her enterprises until we feel more assured that her Military Party is not going to bring her into additional financial distress. Japan just now can not afford an ambitious over-sea policy of expansion. Her business men realize this, and they are urging the Military Party to be guided by more conservative counsels. As soon as we see a constructive change in the foreign policies that I have described, then indeed we can well afford to invest largely in Japanese development.

Meanwhile, we must not forget that dating from the days of Commodore Perry, Japan has looked upon the United States as an old-time friend and helper. We must not overlook the wonderful material accomplishments that our nearest neighbor across the Pacific has made in the last fifty years. We must be tolerant in our judgments of nations as well as of man. The Japanese have a sincere and intense desire for the abiding friendship of our country, and no American can be long in Japan without warmly reciprocating that desire. There is every reason why the two nations should be on the closest and friendliest footing. Even the perplexing California question is susceptible of amicable settlement if only we Americans show a little tact and a respect for Japanese susceptibilities. The Japanese are one of the proudest and most ancient people on the earth. Their manners to foreign visitors are a revelation of grace and courtesy. They expect in return a little of that same deportment. It is not so much what we do on the immigration question, as the way we do it. Certainly to one who has gained an intimate glimpse of the Japanese, it would seem certain that, with any ingenuity at all, we ought to be able to devise a formula which would meet the views of California and at the same time measurably satisfy the Japanese.

OPPORTUNITIES IN SIBERIA

I have not mentioned Siberia, the great undeveloped Russian state on the Pacific. I believe John F. Stevens, the eminent American engineer who has been managing the Chinese Eastern Railway for the Allied governments, can describe its possibilities better than I can. I met him at Mukden in Manchuria on my way out of China. What he said to me was this:

I have come down from Harbin, a journey of seven hundred miles here and return, just to spend an hour with you and give you a message to the business men of the United States. That message is that they must never rest content until in Siberia the door of opportunity is surely kept open, so as to give free and equal trade opportunity to America and to all the other nations; so as to assist in the development of that wonderful region.

He, who had been working in that region steadily for three years, as you know, described to me in sober, restrained language its great resources as an agricultural, a timber and a mining region. "Siberia," he said, "is one of the great granaries of the world." It has for export great quantities of wheat. Hundreds of carloads of hides were waiting means for export. The forests are of immense variety and value. With exportable products that can be made available on such a grand scale, it is manifest that, in order to produce those commodities, the very things that Siberia requires are best made in America—harvesting machinery, mowers, reapers, tractors—and then more tractors. It is for our Government to keep open this door until the people of Siberia, with saner views than their Bolshevik brothers of European Russia, organize themselves politically, or until political conditions in all Russia become stabilized.

AMERICAN TRADE IN THE PHILIPPINES

An important factor of our trade with the Far East is the Philippine Archipelago. Under American occupation and inspiration, the industries

of the islands have been tremendously stimulated and there has grown up a flourishing trade with the United States. The islands need more capital in order adequately to develop their industries and important public enterprises. For instance, the Port of Manila should be extended and enlarged, more piers built; and there is need for a drydock capable of receiving the largest liners and freighters. The United States is the only country where the large sums of money necessary for these enterprises may be obtained, but because of existing political conditions in the Philippines American investors are chary about advancing them. The political leaders of the Islands are demanding independence from the United States. Naturally there is some misgiving about their ability as yet successfully to paddle their own canoe, and a realization that if they fail their control must almost inevitably pass to other hands, to peoples with political ideals, perhaps widely differing from those of the United States. If there could be assurance that American investments would be protected by stable government and just laws there would be no great difficulty in obtaining the money needed. Meantime, there must be considerable natural growth in this lucrative trade with the Philippines unless it is disturbed by adverse political conditions or controlled by a rival trading power.

We face in the wide stretches of the Pacific an opportunity and an obligation; as we are responsive to our obligations, so we shall realize our opportunities.

Shipping Services for American Foreign Trade— The Present Situation

By WINTHROP L. MARVIN

Vice-President and General Manager, American Steamship Owners' Association

WITH a total of 16,324,024 gross tons of shipping, privately-owned and government-owned, the American merchant marine now stands a close second to the merchant shipping of the United Kingdom, which is only about 2,000,000 tons larger at the present time. This total of 16,324,024 tons includes our smaller coastwise vessels and the 2,595,062 tons of shipping on the Great Lakes engaged in port-to-port commerce. Considering only the seagoing vessels of upwards of 500 gross tons, the American merchant marine has an aggregate tonnage of 12,264,282, of which privately-owned tonnage represents 4,810,520 gross tons, and United States Shipping Board tonnage, 7,453,762 gross tons. This American fleet of seagoing vessels is somewhat more than twice as large as the entire German merchant shipping before the outbreak of the Great War.

Of all of our seagoing American merchant ships of upwards of 500 gross tonnage, 1,974,965 tons are enrolled for the coastwise trade and 10,289,317 tons are registered for foreign commerce. All of the recent notable increase in American merchant shipping has been in the amount of tonnage engaged in carrying overseas—the coastwise tonnage having remained almost unaltered. The 10,289,317 tons of seagoing vessels registered for foreign commerce at the end of 1920 show an impressive contrast with the 1,076,152 tons registered for foreign commerce on June 30, 1914. Our tonnage available for international traffic has increased tenfold in six years. In 1914 we were conveying only 9.7 per cent of our imports and exports in our own

vessels. In 1920 we conveyed 42.7 per cent.

It should be remarked, however, in this connection, that while 10,289,317 tons of our present shipping are registered for foreign trade, this aggregate includes upwards of 600,000 tons of emergency-built wooden steamers now withdrawn from traffic—and probably withdrawn permanently—as well as 1,262,000 tons of steel vessels of the Shipping Board laid up unemployed but likely to return to service. Our active merchant carriers, however, have not far from four times the capacity of the total merchant shipping of Norway, or of France, or of Japan, which rank next after the United States as commercial maritime powers in 1921.

The new war-built shipping, which makes up seven-tenths of our total seagoing shipping, is not an ideal fleet in type and character. If we had been deliberately constructing the merchant tonnage along our accustomed commercial lines, the ships, of course, would have been much more carefully designed. They would have been as a whole of superior speed and average size, and they would have had very many more passenger, mail and fast freight liners among them. But the American people have nothing to apologize for on this account. They were suddenly compelled to create a vast "emergency fleet," to hurry supplies to their anxious Allies in Europe and to send our own boys over to the fields of France. Therefore, waiving all calculations of commercial advantage, we constructed the ships that could be most quickly built and made

ready for service—the conventional “tramps” familiar to the ocean highways of the world.

There were belonging to the Shipping Board on June 30 last, 1,123 steel cargo steamers, 15 refrigerator steamers and 63 tank steamers, as contrasted with only 27 steel passenger steamers and 3 transports. Even including the considerable number of ocean passenger steamers owned by private companies, there is still a very marked deficiency of passenger tonnage in the American merchant marine.

DEVELOPMENT OF NEW CARGO STEAMSHIP SERVICES

What has chiefly distinguished the new merchant shipping era of the United States is the widespread development of new cargo steamship services—any similar extension of passenger, mail and express freight services was, of course, impossible. Under the auspices of the Shipping Board, American cargo steamers are now operating from this country to every important commercial country in the world. Before the war our equipment of overseas shipping under our own flag was exceedingly inadequate for its purposes. The half-century-old American Transatlantic Line was operating from New York to Great Britain and France. A few American steamers were on the Red Star route to Antwerp. These few ships, not more than a half dozen all told, represented the entire participation of the American flag in regular transatlantic carrying. Other American cargo craft made casual transatlantic voyages. There were no other regular American western ocean services beyond the activities already described.

Across the Pacific at the outbreak of the world war one American steamer, the *Great Northern Minnesota*, of 20,000 tonnage, largest in our mer-

chant marine, operated from Puget Sound to the Orient. Five American steamers of the famous old Pacific Mail Company were running via Honolulu to Japan and China. The Oceanic Line had three ships in service from San Francisco to New Zealand and Australia. This was the total of our Pacific liner transportation—and the Minnesota and the five Pacific Mail liners were withdrawn and sold in 1915 on the enactment of the La Follette Seamen's Law.

A branch of the Pacific Mail Company sent small steamships coasting down from San Francisco to Mexico, Central America and the Isthmus of Panama, whence the Panama Railroad Company's fleet, owned by the War Department, went northward in the Atlantic to New York. The New York and Cuba Mail Steamship Company (Ward Line), the United Fruit Company, the Munson Steamship Line, the Clyde Line and the Red “D” Line maintained services from North Atlantic and Gulf ports to the Caribbean region, where alone in all the world the American merchant flag was dominant. Our relatively few “tramp” steamers and large sail vessels made occasional voyages to South America; but, with the exceptions noted, American merchant shipping was confined to the coasts of the United States and to domestic commerce with Alaska, Porto Rico and Hawaii.

Now, because of the war and its requirements, this condition has quickly and completely changed. Private capital and enterprise have established new passenger and cargo services from our Atlantic coast to Hamburg and into the Mediterranean, and private capital and enterprise, in coöperation with the United States Shipping Board, are operating 202 established general cargo berths between the United States and the ports of various foreign coun-

tries. No fewer than 100 of these 202 general cargo berths are from ports of the North Atlantic, while 27 are from ports of the South Atlantic, 54 from the Gulf and 21 from ports of the Pacific. American cargo steamships are for the first time in regular operation out of the Gulf to European and other distant ports. These are some of the entirely new American-flag, regular, general cargo services:

- New York to South and East Africa
- New York to East Coast of Africa via Red Sea
- New York to India
- New York to Dutch East Indies and Straits Settlements
- San Francisco to Dutch East Indies and Straits Settlements
- New York to Australasia
- New York to Far East
- Baltimore to Far East
- Jacksonville to Far East
- New Orleans to Far East
- New Orleans to India
- Pacific Coast ports to Far East
- Pacific Coast ports to Australasia
- San Francisco to East Coast of South America
- South Atlantic ports to East Coast of South America
- South Atlantic ports to West Indies
- Philadelphia to Far East
- Portland, Me., to Antwerp
- Boston to Antwerp
- Boston to Constantinople and Black Sea ports
- Boston to Copenhagen and Gothenburg

These services are being operated under authority of Section 7 of the Merchant Marine Act of June 5, 1920, which directs the Shipping Board

to investigate and determine as promptly as possible after the enactment of this Act, and from time to time thereafter, what steamship lines should be established and put in operation from ports of the United States, or any territory, district or possession thereof, to such world and domestic markets as in its judgment are desirable for the promotion, development, expansion

and maintenance of the foreign and coast-wise trade of the United States and an adequate postal service.

Two wholly new transatlantic passenger services have been created for the Shipping Board in the United States Mail Steamship Company, operating former German liners and newer ships to the United Kingdom, Bremen, Danzig and the Mediterranean, and the United American Lines, Inc. (the Harriman Company), from the North Atlantic to the port of Hamburg—the latter carrying only steerage passengers at the present time. The Shipping Board has also established a freight and passenger service from New York to the east coast of South America and from New York to South and East Africa. Of these the east coast South America line to Brazil and the River Plate, employing large former German passenger steamers, is of very great importance. The United States also possesses an admirable passenger, mail and fast freight service from New York through the Panama Canal to the west coast of South America in privately-owned ships of W. R. Grace and Company.

On the Pacific Ocean the Shipping Board has allocated to the Pacific Steamship Company and to the Pacific Mail Steamship Company newly-built passenger and cargo steamers, converted from army transports, for the essential routes from Puget Sound and San Francisco to the Orient and for an entirely new service from San Francisco to Manila and India. These new liners are of two classes—one of a length of 535 feet and a speed of 17 knots, with a capacity for upwards of 200 passengers, and the other, somewhat less in length and of a speed of 14 knots, with a capacity for about 80 passengers. Though not record-breakers in speed or size, these ships are approved by practical operators as of an excellent,

all-round type for liner service in the Pacific and to South America.

These transport liners number 26 all told. Several of them have been allocated to the Shipping Board service of the Munson Line from New York to Rio de Janeiro and Buenos Aires, and others to the New York and Cuba Mail Steamship Company for a service to the West Indies and Spain. Several of these new liners are now in operation in the service of the United States Mail Steamship Company between New York and Europe. All the ships of this liner class should be completed and commissioned within a year. They will go far to supply the urgent need of a regular mail, passenger and fast freight service—but they will have to be supplemented later on by even larger and faster ships, designed and built to private order. It will be several years at best before the regular passenger service of the United States to foreign ports is fully comparable with that of Great Britain, France, or Italy—or the German service as it was before the war.

In cargo ships, however, the Shipping Board construction has provided for American manufacturers and merchants a far more frequent and adequate equipment than our business men have ever had before. It was the general practice of the European steamship companies that monopolized our ocean carrying before 1914 to arrange that the cargo as well as the passenger service from American ports should be distinctly inferior to the services provided by these foreign companies for their own manufacturers and merchants. As a general rule, these European steamship managers placed their best and largest ships on their main export routes from their own ports in Europe. Though their scheduled freight rates were not always discriminatory against American com-

merce, their actual freight rates and their general methods were often exceedingly oppressive to American commerce. This truth, familiar to Americans engaged in world-round trade, was sufficiently demonstrated by the insistence of some of the greatest of our exporting companies—the United States Steel Corporation and the Standard Oil Company, for example—on possessing shipping of their own, which made them independent of restraint by the shipping of their competitors in Europe.

A glance at the announcements of overseas steamship companies in the pages of the commercial journals of New York—three whole pages of some issues are devoted to this purpose—shows how far flung are our present lines of American general cargo steamers.

Ships under the Stars and Stripes are announced as sailing for Havre and Rouen, for Bordeaux, Dunkirk and Rotterdam, for Lisbon, for Oporto, Vigo and Bilbao. One new steamship service runs to Ireland—to Dublin, Cork, Belfast, Limerick and Sligo. There are several lines under the American flag to liberated Danzig in the Baltic and several to Gothenburg, Malmo, Stockholm and Helsingfors—harbors in which the American flag had scarcely been seen in recent years. American cargo steamers steering into the Mediterranean touch at Naples, Genoa, Trieste, Venice, Piraeus and Constantinople, and going on into the Black Sea discharge and load at Constantza, Galatz and Batun. Our flag, borne now not by sail craft but by steamers, is visible on the west coast of Africa at Dakar, Freetown, Secondi, Monrovia and Fernando Po. In South America, Rio and the River Plate see not only the stately passenger liners of the Shipping Board but also rugged Yankee cargo craft. In

the Orient, Shanghai, Hong Kong and Manila, once familiar with our tall-sparred clipper ships, now welcome scores of steel freighters, and regular American steamship services for the first time are operating to Indian Ocean ports—to Bombay, Colombo, Madras, Rangoon and Calcutta.

While American cargo steamers during the first six months of the calendar year 1920 conveyed 22,724,217 tons of our imports and exports, foreign ships conveyed 15,273,967 tons. A large proportion of the valuable import cargoes of manufactured goods was carried in the swift passenger steamers of Great Britain, France and Italy—far more numerous than our own.

The principal ocean trades are controlled by conferences established under the auspices of the Shipping Board, in which privately-owned American vessels, Shipping Board vessels and the chief foreign companies whose ships are plying in the same trades are all represented. These conferences, which the Shipping Board carefully supervises, make an effort to stabilize freight rates at levels which, while protective of the interests of the shipping companies, will guarantee equitable rates to American exporters and importers. In the present depressed state of world commerce and in the face of existing scarcity of cargoes, it has been somewhat difficult to maintain all of these conferences in effective working order, but their influence on the whole has been a beneficial one. It should be understood that secret rebates and other questionable devices of previous steamship conferences are under the ban of the law.

It is the aim of the government to bring about a condition of shipping in which about 60 per cent in value of our imports and exports shall be conveyed in ships of American registry. At the

present time the American proportion of our overseas carrying is in value probably not more than 40 per cent. It is believed that the United States should rightfully have 50 per cent of the carrying trade between this country and the United Kingdom, and the same proportion of our carrying trade with France, Italy, Germany, Scandinavia and other countries possessing ocean shipping of their own—and that much more than 50 per cent should fairly be secured for American ships in the trade with countries like those of South America and the Asiatic mainland, for example, that have not developed their shipbuilding and navigation to any great extent.

In order to convey 60 per cent of our entire normal imports and exports in American vessels, the United States will require its entire present war-built and privately-owned merchant fleet (excepting, of course, the emergency wooden steamers), and a certain additional tonnage of passenger liner and cargo liner craft not yet constructed.

FOREIGN OPPOSITION TO AMERICAN MERCHANT MARINE

The influence of the new Merchant Marine Act of June 5, 1920—the Jones law—has not yet been completely tested. Some of its most important provisions have not been enforced. It is already manifest that in the development of our merchant marine we must count on strenuous foreign opposition. There is no doubt that American vessels are being discriminated against in many foreign ports in a spirit wholly contrary to the natural comity of nations. One of the new services established by the Shipping Board runs to the west coast of Africa.

When the pioneer cargo steamer of the first American line reached a certain West African port—it happened

to be a British colonial port—the master of the steamer found to his astonishment and wrath that a powerful British steamship company, dominating the commerce of that port, had placed its own steamers alongside the most convenient piers and had engaged all the lighters of the port, loaded them with stone and berthed them under all the remaining hoisting cranes, so that there was no place for the Yankee ship to discharge her cargo.

But the master of the vessel was a man of initiative and determination. First preparing his lifeboats so that he could land his cargo on the beach in an emergency, he went ashore and with the agent of the ship—a British subject—called on the British colonial governor and stated his case with such emphasis that presently this official informed the managers of the offending British steamship company that they must move their vessels and make way for the American to come in.

Another ship of this same American fleet went to the English port of Manchester to load for the West African coast. There, also, the ship met a very cold reception. Even the lightermen of the port refused to handle a cargo, to go out under Yankee colors. Of course, in all American ports the lighterage services and all other services for many years have been as readily available to British as to American steamships—and, indeed, to ships of all registries and all flags on equal terms.

It has just been announced that an American steamship organization oper-

ating out of the port of Galveston, Texas, found itself compelled to charter steamers under the British flag to export raw cotton intended for the British spinners of Lancashire, who had insisted that the cotton be brought exclusively in British ships and insured exclusively in British insurance companies.

Mr. W. A. Harriman, the President of the American Ship and Commerce Corporation, declared in a recent public address that his American ships at the port of Alexandria, Egypt, had been unable to secure any cargoes of Egyptian cotton bound for the United States, because the sellers of the cotton had agreed with British steamship companies that the cotton should be conveyed to America only in British bottoms. Mr. Harriman added that an offer of substantially lower freight rates by the American ships failed to make any impression on those who had concluded this arrangement. This Egyptian cotton was intended for American mills, and every pound of it could have been transported in American vessels at a considerable saving of freight costs. But the patriotic combination of British cotton dealers and British steamship companies would not allow this to be done.

Such instances as these suggest that it is only by patience and determination that the new American merchant marine can win its place back on the high seas. British resolution to monopolize the greater part of our own country's carrying trade must be met by equivalent resolution in America.

In direct exporting it is the rule that all orders are signed at the time they are placed, and terms of sale form an integral part of any quotation. When the goods are shipped they are consigned to the order of the direct exporter, who sends through banking channels the negotiable bill of lading, insurance certificate and commercial invoice, with instructions that these documents, which are necessary for the securing of the goods by the customer abroad, are to be given to him upon his "acceptance" of the draft. This acceptance takes the form of the customer's endorsement of a draft which definitely states the date of maturity, and which equally definitely establishes the validity of the transaction and the acceptance of the terms of sale. The customer's debt then becomes one to the bank, which notifies him of its maturity. Failure to pay an accepted draft at maturity is analogous to an act of bankruptcy, and as such affects the standing of the importer in both local and international circles. From these two definitions it will be seen that the various and timid proposals in the domestic market tending toward the quasi establishment of a practice of trade acceptance are but the faltering step of an infant toward a goal definitely recognized.

VALUE OF DIRECT EXPORTING IN PERIODS OF DEPRESSION

World-wide distribution established by direct exporting is the sole insurance of real value against times of domestic financial depression. It is practical business insurance to divide the risks of credit and depressions over the widest possible territory. Sane selection of foreign customers is based not on placing all foreign eggs in the basket of a single foreign market, but on distributing these in such cities as Yokohama, Shanghai, Hong Kong, Sydney, Mel-

bourne, Bangkok, Bombay, Cape Town, Rio Janeiro, Buenos Aires, Valparaiso, Lima, the capitals of Europe, such wonderful cities as Constantinople, Cairo and hosts of smaller but *buying* centers.

When a manufacturer has built up a clientele in foreign countries whose purchases form one-tenth of his total output his factor of safety is forty per cent greater than his non-exporting competitor because, following the customary practice of defining payment dates by drafts, he is sure of a sufficient volume of payments at anticipated times to tide over any temporary stringency in the domestic money market, whereas the very cause of the calling in of loans which makes it desirable for the non-exporter to make prompt collections will cause such customers to seek extensions. This factor of safety increases out of proportion as the percentage of exports is increased because, particularly on lines bearing a high profit, the manufacturer is able to meet his entire obligations at maturity from his proceeds on foreign orders, and could even close down his factories for a period of several months and make no attempt to enforce domestic payments due.

In fact, it is in a panic year that the direct exporting manufacturer reaps the greatest domestic advantages, for while his competitors are forced to conserve their resources he can conduct sales campaigns in every city they are forced to neglect. Where the non-exporter must offend slow-paying customers with imperative demands for settlement he, enjoying a steady influx of payments representing cost plus profit, is in a position not only to extend longer terms and to be lenient in collections, but also to solicit the patronage of the slow-paying but responsible buyers offended by competitors' collection methods.

Not only is such a manufacturer's position of value to himself but it is also a decided benefit to his customers and his competitors' customers, for it enables the dealers constituting "the trade" as applied to his line to conduct business under normal business conditions and meet other more pressing obligations from their natural resources without forcing unfavorable loans or having their credit strained beyond its possibilities. Multiply the single exporting manufacturer by all his mates in all lines, and a veritable sea-wall is erected against the storm of financial stringency. Can there be a greater panacea for a panic caused by lack of money at home than a steady stream pouring in from abroad?

There is only harm in sales at bargain prices abroad when the domestic market is glutted, or in the dumping of obsolete and below-standard products on which no future is expected or possible; but in the carefully developed world-wide markets made possible by the superior quality of American-made goods backed by intelligent coöperation with foreign dealers and good service even in the height of domestic seasons, there is the one sure preventative of depressed financial conditions at home.

It should be known as an axiom that the nation whose manufacturers' products are sold in every corner of the world is panic-proof as against internal conditions. The best insurance against a national panic is a healthy export trade.

WORLD-WIDE PLANNING · ESSENTIAL FOR EXPORTING SUCCESS

Well-balanced world-wide sales are never a matter of luck. The world is so large and its markets, large and small, are so many that only by careful planning is correct export development made possible.

There are fully thirty thousand manufacturing exporters in the United States, an estimate which checks with the official statistics and the investigations of export organizations. Not over seventy-five manufacturers—one-quarter of one per cent—can rightfully claim adequate representation in even all the major markets of the world. Not over one hundred and fifty can prove that their export selling in both theory and practice is based upon plans laid years ahead.

This is a tremendous indictment. It charges American exporting with lack of forethought as well as lack of balanced export sales. Let us examine the facts—for it is facts and not opinion which are worth consideration.

Exporting is selling to the whole world. This truth must be accepted before progress is possible. Until a manufacturer is willing to *think* of selling abroad wherever a profit can be shown, he is certainly not entitled to be called an exporter, even if his ledgers show sales in Cuba and in China. A few scattered customers in foreign countries are no more a proof of exporting than a few freckles prove a man a Mongolian!

The outstanding error in American exporting lies in the beginner's usual question, "Where shall we first sell abroad?" The proper question is, "What method can we adopt which will logically bring about balanced export sales?" Exporting—modern scientific exporting—is far more than attempting to sell one market at a time sequenced in order of ease of securing sales. Such a method is exactly as absurd as for an enterprise which desired national distribution in the United States to work forward one state at a time, with no advance survey or preparation of the entire field.

There are many American manufacturers who are today enjoying a

industrial combinations, consolidations, trade associations, cartells, syndicates and the like.

Federations having large membership of firms and associations in various industries were created in England, Germany, France and other European countries during and after the war. The Federation of British Industries, a trade organization comprising some twenty thousand British manufacturing and producing firms, has taken an active part in the development of foreign trade interests of Great Britain, both by constructive criticism of governmental action and by establishing, on its own initiative, representation through trade commissions in various parts of the world, by conducting an information and advisory service for those engaged in export and import, and by taking an active part in the establishment of fairs and exhibitions.

GERMAN ASSOCIATIONS

The German federation, called the *Reichsverband der Deutschen Industrie*, is a consolidation of the two most powerful German industrial associations; namely, the *Zentral Verband der Deutschen Industriellen* and the *Bund der Industriellen*. Together, these represented nearly three hundred associations; the latter alone represented thirty-five thousand firms, through either its own membership or that of affiliated associations.

For two decades after its formation in 1876, the *Zentralverband* was spokesman of German manufacturing industries and has at all times been distinctly more protectionistic than the *Bund der Industriellen*; it has issued directories of export manufacturers and has encouraged participation in foreign expositions. War conditions brought the two associations into much closer contact than had existed pre-

viously. Nevertheless, it was impossible to bring about complete consolidation until after the Armistice. Meetings were held in the spring of 1919, and organization was agreed upon. As finally formed, the *Reichsverband* was to be governed ultimately by the members, but the chief work was to be done by the executive committee, for which the claim was made that it included a just, uniform and carefully considered representation of individual industrial interests and of individual industrial sections of Germany. Upon this committee, one hundred and forty members represent the various industrial associations; thirty members represent territorial associations. There are ten representatives of the individual enterprises, ten more chosen by the other members of the committee. The business management of the Imperial Association consists of not less than thirty, nor more than sixty persons. Among the special committees appointed are several which indicate the scope of its activity; namely, the committee on carrying out the economic provisions of the peace treaty, the committee on taxation, and the committee on economic policy. The Imperial Association is working hand in hand with the newly created Imperial Economic Office and with the Department of Foreign Affairs in the development of foreign trade relations.

FRENCH ASSOCIATIONS

There are two French federations. The most important is *L'Association National d'Expansion Economique*, formed December 15, 1915 under the auspices of the Paris Chamber of Commerce and comprising the important manufacturers, trade associations, insurance, banking, shipping and railway interests. According to official statement,

L'Association National d'Expansion Economique is an organization for inquiry and action which will gather together without prejudice to their autonomy those persons and associations belonging to or interested in commerce, industry, and agriculture, to unite their efforts and coördinate their work. . . . It will assure common action in the national interest. To this end it will on the one hand make inquiries in France and abroad; and on the other it will stimulate, either directly or by encouragement, the creation of all institutions, organizations, or ententes tending to facilitate the fabrication, transport or sale of French products. It will call forth the establishment of new industries in France and the opening of new foreign markets.

Plans have been made to publish yearly an index of French production, which is intended to give a survey of the industries of France and of particular firms. Another association of the federation type, formed in the fall of 1919, is *La Fédération Générale de la Production Française*. The purpose of the latter syndicate is to increase French production and, consequently, export power. Among other countries, in which the general federation idea has been adopted, are Sweden, which has the Swedish Export Industries Central Council, and Finland, with the Finnish Export Association.

The important European countries furnish numerous examples of general associations intended to promote the interests of the members of a particular industry or trade. The chemical industries of France, Germany and England furnish examples; others are *Verein der Eisen und Stahl Industriellen* in Germany, the associations of machinery manufacturers and the associations in textile and leather trades in Germany and England. Of slightly different character are the associations of manufacturers in particular provinces and districts. Such bodies do

not attempt to influence terms of sale or selling methods. Many of them are keenly interested in foreign trade development, but they differ widely in scope and effectiveness; their work frequently includes representation of membership in tariff and commercial treaty matters, collection of statistics and publications in convenient form.

Before the war, Germany possessed a number of bodies created to promote commercial relations between Germany and individual foreign countries. The German-French Society, German-Russian Society, and the German-Argentinian Central Association are examples. In the main, these associations have continued to exist either in their original form or modified by consolidation for more effective effort, such as the union of the Argentine and Brazilian societies into a general German-South American Group. The federation of these societies, formed early in 1919 under the leadership of the chairman of the German-Argentinian Association, aims to keep these bodies in touch with each other; however, it will act only when the matter is of general interest and goes beyond the scope of an individual society. For somewhat different purposes was formed the German-British Economic Union for protecting Germans in business relations with Great Britain, the Colonies, Dominions and Protectorates.

For the trade and industry of Germany, its associations for maintaining and increasing the German spirit among German subjects residing abroad are also of great importance. There exist several associations of this sort; some of them of an educational character for the study of foreign lands, others for the maintenance of the connections between German subjects in different parts of the world. The place of these associations in Great

Britain is occupied chiefly by the British chambers of commerce in foreign countries and their affiliation with the domestic chamber of commerce system. Nevertheless, the Anglo-Danubian Association, formed recently for the purpose of promoting trade between the newer Austro-Hungarian secession states and Great Britain, indicates that need for such organization has been felt.

Associations dealing mainly with foreign trade interests show little change since the pre-war period; first, those formed to handle particular aspects of commercial relations with foreign countries or to undertake general propaganda have continued their existence. Germany furnishes the best examples of this type in the *Deutsch Weltwirtschaftlichegesellschaft*, the Association of German Import Trade and the Commercial Treaty Association. Associations of German exporters, such as the *Vereinigung der Exportfirmen, Berlin*, including the prominent export merchants of Berlin, similar Hamburg and other groups have recently been federated in the Union of German Exporters.

British exporters are attempting to secure relationship with various parts of the Empire by the development of such associations as the Canadian Association of British Manufacturers and Their Representatives. Membership in these associations is confined to British subjects, such as British manufacturers and wholesale exporters from the United Kingdom and their representatives.

French export merchants and representatives have also organized in the Syndical Chamber of Agents for Export Trade. The National Privy Council for Export Trade, the Chamber of Commerce for Export Trade, the Norman Committee of Encouragement for the Formation of French

Agents Abroad may be mentioned in passing.

PROMOTION OF FOREIGN TRADE BY INDUSTRIAL COMBINATIONS

Industrial combinations along familiar lines—pools, cartells, trusts, comp-toirs, consolidations—are usually organized primarily for domestic trade; but, in the majority of cases, they have a keen interest in export trade, while in some cases they have been organized exclusively for development of foreign business. The general lines of development are much the same as in the pre-war period; but, as a result of the war, there has been a distinct increase in the number and importance of such combinations and their activities in foreign trade matters. The English Committee on Trusts, which reported in 1919, regarded the group of associations, in which a larger part of the manufacturers or operators of a certain branch combined for purposes of regulating sales, as much more significant than the numerous loose agreements. Associations regulating output are differentiated from pools; both of these are in turn to be distinguished from the more advanced organizations or consolidations called combines in England and syndicates (or cartells) in Germany and France.

As in America, the merger or consolidation in England has proceeded more rapidly because of the doubtful legal status of looser arrangements. The comparative freedom of German business men in the pre-war period to combine as they wished postponed to some extent the resort to merger or consolidation types; but, even prior to the war, the tendency in direction of consolidation is to be clearly perceived. In all of these countries there is a distinct movement toward integration of industry.

The selling syndicate, in which a

group of manufacturers contract to sell their output exclusively through the central sales office of the organization, presents the highest development of the combination short of merger or consolidation. These syndicates establish agencies in various countries to get foreign business; for instance, the French Comptoir for Exportation of Metallurgical Products has branches in Brazil, Argentina and China. The German coal, iron and steel syndicates of the pre-war period likewise maintained foreign branches for the sale of their products. They also gave export bounties to those domestic manufacturing consumers of their products who were engaged in export.

At the present time, the raw material situation in France and Germany compels the attention of industrial organizations generally. In both countries, efforts have been made with government assistance to centralize the purchases of essential materials, either through syndicates or otherwise, to prevent losses which might be suffered through competitive purchase. Selling organizations have generally had to accord a great deal of consideration to prices, due to depreciated currency and adverse exchanges. The Wire Export Company, Ltd., in Germany, the Shoe and Leather Export Association in England are typical of the combinations formed to handle exclusively the foreign business of members.

The Rhenish-Westphalian Coal Syndicate, the most powerful of the German pre-war syndicates, expired by limitation during the war and was extended only by pressure of government authority. Prices and deliveries of coal under present conditions in Germany are more than ever a matter of intense national interest, undoubtedly the reason for the compulsory organization of the Coal Economic Union, formed after the war for facil-

itating governmental regulation of the coal industry in the transition period. This, of course, detracts from the power and influence of the coal syndicate.

In the iron and steel industry the most powerful syndicate was the Steel Works Union, formed originally in 1904 and renewed from time to time. At the last renewal, in 1912, considerable difficulty was experienced because of the conflict of interests between integrated and non-integrated member firms, and the organization emerged with considerably less power than before. During the war, the syndicate was extended from time to time under pressure of the government, and its scope was extended to include sales of bar iron for which syndication had long been attempted. The syndicate was renewed provisionally on several occasions after the war, but was finally dissolved in May, 1920. Its place was taken in part by the Iron Economic Association, the nature of which was similar to that of the Coal Economic Association, and in part by a general organization of the steel trade called the *Stahlbund*.

In France there has been formed since the war the *Comptoir Siderurgique*, which includes all the French steel works and takes an active part in iron and steel exportation. In many directions its powers are less limited than those of its German counterpart. According to its articles, it need not confine itself to purchase and sales of various kinds of iron articles. It is also empowered to undertake exploitation of the industry and purchase of coal, iron ore and raw materials. The new combination embraces older combinations, which individually dealt with half-finished products, rails, beams and sheets. One of the members of the de Wendel concern was a member of the German combination at the time when Alsace-Lorraine was

considered German territory. Belgium has likewise recently formed a Steel Works Union of the German type. Limitation of space forbids more than mention of the combinations in textile, machinery, ceramic, leather and other trades.

The war seems to have given the development of merger and consolidation a marked impetus, although no new types have developed. Resistance to amalgamation, because it involved loss of autonomy and frequently loss of identity, has apparently been much decreased. The control of metal markets, formerly in German possession through the *Metall-Gesellschaft*, is to be contested by the *Société des Metaux* in France and the British Metals Corporation. The "Amalgamated Industrials," organized in the United Kingdom in 1919, is a prominent example of the holding corporation form of organization, controlling shipping, iron and coal and cotton companies. Chemical manufacturers of France have amalgamated. The British have formed the British Dyestuffs Corporation, in order to meet the competition of the highly organized German dyestuffs industry. The explosives branch is controlled by powerful mergers, both in England and in Germany. Merger and consolidation, frequently with intent to increase degree of integration, have shown unremitting progress in the coal, iron, metal finishing and engineering trades in important producing countries. Under the leadership of powerful German industrial leaders, notably Hugo Stinnes, August Thyssen and the Stumms, the vertical combination, based on long-term con-

tracts, mergers and fusions, has become the most significant type in the German heavy industries. Glass, tools, textiles are other lines in which we find prominent fusions in two or more of the industrially important European countries.

International cartells have generally succumbed to the war. The proposal to revive the international rail agreement between England, Germany, France and the United States for division of foreign trade has not been received with favor in Germany and France. The international plate glass cartell, one of the most closely organized international cartells, has likewise fallen to pieces with no immediate prospect of renewal.

CONCLUSION

It is as yet too early to judge as to the effectiveness of the various types of organization in reëstablishing foreign trade, and a fair appraisal can not be made without consideration of the progress of banking and shipping organization. There can be no doubt that organizations of merchants and traders are much more active and are receiving much more support in all progressive countries than before the war. To the student of industrial combination, it seems that the war brought changes in emphasis, looser organizations being displaced by stricter and more comprehensive forms. No distinctly new form has been developed; but, in the future, the similarity of development in different countries should render it possible to make broad and thorough comparisons of all types.

Governmental Foreign Trade Promotion Service in the United States

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THE PROMOTIVE ATTITUDE

THE United States Government may be lacking in concrete foreign policy in a technical, foreign-office sense, but it has for years followed a definite course of foreign trade promotion. The amendments to the Federal Reserve Act culminating in the Edge Act, the Webb-Pomerene Act, the recent laws on shipping and marine insurance, the support of the activities of the Inter-American High Commission are all tangible, legislative action for foreign trade promotion. There may be a confusing range of congressional committees having a hand in the foreign trade matters, and ample signs of the ignorance of the right hand as to the action of the left, lack of a coördinating policy fitting the fragments into a workmanlike whole, but the spirit of promoting and encouraging foreign (rather, export) trade is indisputably there. Since 1904 we have had a central foreign trade information bureau (the old Bureau of Manufactures, succeeded by the Bureau of Foreign and Domestic Commerce) and Congress has from year to year granted the means for the development and improvement of the foreign trade information service.

THE AGENCIES OF TRADE PROMOTION

The Bureau of Foreign and Domestic Commerce, in the Department of Commerce, is the hub of our service. The State Department, with the expanding consular service, is the chief arm of the Government in this work outside the Commerce Department, and its foreign trade promotion activities are by law hooked up with the

Bureau of Foreign and Domestic Commerce. The Tariff Commission, the Federal Trade Commission, the Federal Reserve Board, the Department of Agriculture, the Post Office Department and the Inter-American High Commission in the Treasury Department all have certain definite functions contributing to facilitate export business. These various government agencies, and others, now have their representatives meet weekly in the State Department in an organization with the wartime name of the Economic Liaison Committee, in which information about work in hand and in prospect is cleared and a certain measure of coördination is made possible. For most practical purposes, however, the United States Government's efforts in foreign trade promotion may be considered as depending on the Department of Commerce (Bureau of Foreign and Domestic Commerce) and the Department of State (Consular Service, Geographic Divisions, and Foreign Trade Adviser's Office). On the joint effectiveness of the Commerce Bureau and the Consular Service and its administration our exporters in the main must rely, so far as government help is concerned.

THE BUREAU OF FOREIGN AND DOMESTIC COMMERCE

The Bureau of Foreign and Domestic Commerce publishes the foreign trade statistics and the reports about conditions and trade opportunities in foreign countries. Exporters want to know the volume and nature of the trade of foreign countries in particular commodities; the kind of goods re-

quired in this or that foreign market; the merchandising methods, customary terms of credit, and shipping and warehouse facilities; the customs tariff rates, the consular invoice requirements, the taxes on commercial travelers; and they want good lists of merchants, manufacturers, brokers and manufacturers' agents. These things they can get from the Bureau of Foreign and Domestic Commerce. The Bureau is a great aggregation of constantly renewing files of facts and figures, kept up by current reading and collation of official reports, official gazettes, directories and trade papers from abroad, as well as by current and special reports from a staff of resident representatives and traveling investigators of the United States Government in all parts of the world.

In the Washington office of the Bureau there is a research staff of statisticians, economists, geographic experts, tariff experts, trade-mark specialists, translators, compilers and editors. The work is organized in part on geographic lines (Latin-American Division, Far Eastern Division, etc.) and in part on economic subject lines (Statistics Division, Tariff Division, etc.). Of course, there is a good deal of administrative work in connection with the extensive field service. All told, the Washington staff, including all classes of employes, numbers about one hundred and fifty. As government offices in Washington go, it is a well-organized, hard-working and generally efficient Bureau. The work is interesting, less routine than most government work, and has attracted and held many men of enthusiasm and high ability, in the face of an unusually low level of salaries, even for government work in Washington. There is testimony from former directors and other officials that have left the Bureau to locate with business concerns, that

in zeal and efficiency the staff of the Bureau of Foreign and Domestic Commerce will compare favorably with the staff in successful American business houses.

Besides its publications—the Daily Commerce Reports, the reports of Special Agents, the Miscellaneous Series of foreign trade reports, the Monthly Summary and the other statistical reports—and heavy use of circulars and other duplicated material in the mails on the basis of well-classified mailing lists of American exporters who have asked for the service, the Bureau distributes the foreign trade information through a chain of branch offices. These are district offices in charge of staff men under civil service, in seven of the principal centers, and “coöperative” offices in chambers of commerce in an increasing number of other industrial and trade centers in the United States. Not only do these offices serve their purpose in the distribution of the information which the Bureau obtains from export declarations and import entries, and from foreign countries, but they also serve the decidedly salutary purpose of keeping the Washington headquarters alive to the thought, needs and tendencies in the cities where the foreign trade is actually being handled.

The foreign service of the Bureau of Foreign and Domestic Commerce itself consists of two main divisions: resident general representatives and traveling specialists and investigators. The commercial attaché is the resident man, the trade commissioner is the traveling investigator. Until 1916 the traveling investigators were known as commercial agents or special agents. The change of designation was made to give a title that would clearly indicate the investigator as a government representative and get away from the use of the word “agent”

with its sometimes misleading legal connotation. The traveling specialist, studying foreign markets for cotton goods, electrical equipment, boots and shoes, agricultural machinery and what not, has been a part of the system for fifteen years or more. The commercial attaché, or resident representative of the Commerce Department, dates back only to 1914.

THE TRADE COMMISSIONER

The field for the traveling investigator is pretty clearly defined and needs no particular comment. The Bureau determines upon a characteristic industry possessing possibilities for export, and with the aid of the interested trade organizations secures a man with adequate technical training, personality, language, and writing and investigating ability and sends him out to South America, or Europe, or the Far East, or somewhere else, to report back for the benefit of all the Americans interested in the things which an American exporter of the particular commodities ought to know about the markets in question. He may be gone one, two or three years, and when he has finished one part of the world and has come back home and told his story, he may be sent out to "cover" another continent. Or, he may go back into business again. The exporters like these technical reports made by experts and the Bureau every year sends out investigators to report on lines not previously covered.

THE COMMERCIAL ATTACHÉ

The commercial attaché's field is not so generally recognized as clearly defined, and yet in half a dozen years the meagre commercial attaché service has so firmly established itself in the good graces of our export community that when Congress, in 1920, suggested eliminating the attachés a storm of

protest arose from all parts of the country. The commercial attaché is attached or accredited to an embassy or legation, as a rule. In Australia, where we have no legation, the attaché is accredited to a consulate. The commercial attaché is sent by the secretary of commerce to devote his full time to purely commercial matters, and primarily to pay attention to legislation, and aspects of commerce affecting the commercial interests of the United States in the particular foreign country as a whole. His "district" is not a city or a group of cities; it is a country, and his business is to keep American business men posted on the broader phases of business in that country. He is accredited to the embassy or legation to give him the prestige of such a connection and likewise to make his services and advice available to the American ambassador or minister in any commercial matter requiring formal representations or other diplomatic action.

The offices of the commercial attaché in London or in Peking are offices of the Bureau of Foreign and Domestic Commerce, instantly available for an urgent telegraphic inquiry, staffed by one or more men carefully selected for previous training in connection with American business. These offices are available as headquarters for the traveling trade commissioners and are of undoubted help to those investigators in making their contacts. We have about a dozen regular commercial attachés and in addition about an equal number of so-called resident trade commissioners, practically equivalent in duties, stationed at less important posts, and not called commercial attachés principally because they are paid out of appropriations other than that designated for commercial attachés.

THE CONSULAR SERVICE

In comparison with the services of other nations we have a good consular service. We have hundreds of consulates, mostly headed by full-time consuls of career, chosen as a result of strict examinations, covering practically every foreign commercial center of any real importance. As a rule, the consul must start at the bottom of the ladder and work up—the service idea, like in the army or navy, is there. The compensation is not great: the average for officers of career now is only \$3,400 per annum. There is no retirement provision. Allowances for entertainment and travel and cost of living are not up to the requirements of the position. To keep up a high standard in our consular service, it must offer a more attractive career, financially, and in promotions and post assignments. The consul is the local representative of the United States Government in a prescribed district. Notarial duties are likely to draw heavily on his time. His set functions of a routine character are numerous. He is selected, naturally, with this multifarious task in mind. It may well be that the man chosen for a consular place will have had not the slightest business experience, and it may also well be that such a man will have a successful consular career. He has a number of routine tasks that bear on business—putting his seal on consular invoices, ships' papers, passports, etc. He is expected to observe and report on all phases of business in his district which are pertinent to American foreign trade. Some consuls do this latter work in a perfunctory manner, and others do it brilliantly well. It depends in considerable part on the turn of mind of the consul, and in part on the amount of time available when other, more routine tasks are dispatched.

The consul is a wonderful power for good in our foreign trade, especially if he stays long at one post. He can get to know all the ins and outs of the business in his district and his reports, trade opportunities, and trade lists may be of much direct value to our exporters. The right kind of consul with an appreciation of the chances for trade promotion is often personally a big factor in the sale of American products. He can be of the greatest assistance to American salesmen and to resident Americans if he makes the right impression and the right sort of contacts with local business men and officials of the district where he is stationed. He should return to the States more frequently and be given better facilities, when in the States, for meeting exporters and importers.

CONSULAR ECONOMISTS

To improve our governmental trade promotion work we can well afford to strengthen these local headquarters in the consulates. Every advocate of governmental foreign trade promotion should be pleased at the appointment of economic specialists in the consulates, to give their full time to the consular trade promotion work. The first of these consular economists have been sent out in 1920 and the results of their work remain to be seen: the field for a specialist on trade matters in every important consulate is clear. In every consulate in a commercial district of importance there are enough purely local trade matters of interest to American exporters to justify the full time of a competent observer.

THE DIPLOMATIC SERVICE

The diplomatic service has more and more economic problems to handle, and is possessed of great possibilities in trade promotion, particularly in shaping a course of friendly commercial

relations between the United States and foreign countries and in negotiating liberal commercial treaties. It is a shamefully neglected branch of our foreign service; the average salary of the career officials in the service is less than \$1,900 per annum, and at present it is necessarily restricted to men of independent means. There are many good men in it, but not enough. Some officials have wanted to keep up the glamour of its mysterious "political" work and to keep the service exclusive. As a matter of fact, the work of a diplomatic secretary is most often of as workaday character as that of a Civil Service worker in Washington, and there is little reason why the service should not be made into an adequately paid force staffed entirely with capable men picked for their fitness for close, careful work, with less emphasis on their social qualifications. Our most successful first secretaries and counsellors today are a very high type of officials; remarkable for a capacity for constant, hard work. The Rogers Bill for consolidating the consular and diplomatic services looks like a step in the right direction. The present social gap between the services is absurd.

The diplomatic service would be greatly improved by having the large consular force to draw on for capable secretaries and counsellors. So far as trade information goes, the diplomatic service is not at present a material factor in our equipment. Its work remains largely political, even if on a more or less economic background; it waits on Washington to a considerable extent. Our lack of settled, general foreign trade policy curtails the possibilities for diplomatic work on commercial treaties and for creating a friendly international commercial atmosphere that might loom large in the work of governmental trade promotion.

STATE DEPARTMENT ADMINISTRATION

In Washington the administration of the consular and diplomatic service and the shaping of their trade promotion work are obviously most important. By law, the Commerce Department is given a lien on the commercial reports received at the State Department, and the Commerce Department is privileged to call on the consular service, through the State Department, for special consular reports. Many solid series of reports have originated in this manner. The Commerce Department publishes the consular reports. The administration of the consular service, however, like the selection and assignment of consuls, is entirely in the hands of the State Department. The building up of our consular service has been in large part the work of one man, Mr. Wilbur J. Carr, the present director of the service, who deserves nothing but praise for his successful efforts while occupying a position of great responsibility in the Department, with constant demands on his personal time for miscellaneous duties, and with inadequate assistance. The defects in the service can not be removed until adequate administrative machinery for it in Washington is provided.

The other most important State Department element in the work of foreign trade promotion is that of the Foreign Trade Adviser. The Department, of course, requires a skilled foreign trade adviser with competent assistants, to see to it that instructions to consuls and diplomats on commercial matters are aptly drawn and the action of the Department generally based on proper advice. The office of the Foreign Trade Adviser has been developed to its highest point during 1920, and the Department of State is stronger on trade matters at the present time than it has ever been before.

STATE DEPARTMENT *versus* COMMERCE
DEPARTMENT

Relations of the Commerce Department and the State Department are, unfortunately, none too cordial. The State Department is properly imbued with its responsibility for foreign relations and bristles against encroachments. In years past officials in that Department have, to use the Washington expression, viewed with alarm, the development of the Bureau of Foreign and Domestic Commerce. Why should that Bureau publish the consular reports? Why in the world should it possess its own commercial attachés? The commercial attachés are an especially sensitive point. In congressional hearings, State Department officials have stated that the commercial attachés are unnecessary, simply duplicating the work of consuls. The bogey is held up that these commercial attachés, not being within the State Department, may upset the apple cart on some delicate matter of foreign policy, and are therefore a menace to the conduct of foreign relations. Still another point made against the commercial attachés is that they get all the glory and have taken the heart out of the consuls, who see these higher-paid commercial men coming into the field, getting more and more credit for their accomplishments and more and more space in daily Commerce Reports, making more frequent trips to the States, while the effective work of the consuls is overlooked. Therefore, the argument goes, the commercial attachés should be eliminated, or at least be a part of either the consular service or the diplomatic service proper, on the State Department payroll, subject to State Department administration, and opening up to the competent consuls or diplomatic secretaries.

The Commerce Department argument on the point has run somewhat

as follows: It is hopeless for the Commerce Department to handle the major work of a central trade information bureau without having its own resident men abroad, schooled to cover the developments of national significance in foreign legislation, commercial policies and trade currents, and instantly available on telegraphic instructions; the Commerce Department tried to get service of this kind from the consuls, through the State Department for years up to 1914, but the results were unsatisfactory; the delay in the transmission of instructions and results through the State Department is serious; the work calls for a trained commercial man giving his full time to the work of trade promotion and can not await the attention of officials picked for less specifically commercial duties and burdened with a multitude of other things; the upsetting of the diplomatic apple cart has not occurred in six years and is not likely to occur, since the intelligent commercial attaché can sense the points of nicety in any commercial situation having diplomatic aspects without having grown up in the diplomatic service, and moreover the head of the diplomatic mission always has control over the commercial attaché housed in the diplomatic establishment; military and naval attachés are army or navy men—why should the commercial attaché not be a Commerce man? The duplication charge can not be sustained—the consul who can properly cover the local matters of his district does not, even with a big staff, have the time, freedom of movement or other facilities for observing and covering the national matters; many ambassadors and ministers have praised the work of the commercial attachés and others have asked to have commercial attachés assigned to them; their acknowledged success

under Commerce Department selection and instructions is no indication that the work could be as successfully conducted under the State Department. And so on.

THE COMMERCE DEPARTMENT CASE

The Commerce Department solution would include an expansion of the commercial attaché service to have an attaché of the Department of Commerce at each important capital, and to have the consular activities in trade promotion limited to matters pertaining to the consular district. Strengthen the consulates by economic specialists, but do not expect the consulates to cover the national questions now being handled by the commercial attachés. The Department of Commerce also has something in the State Department to "view with alarm." It is the office of the Foreign Trade Adviser. On several occasions in the past the corresponding office in the State Department showed a tendency to go as itself the center of trade information direct to the American business man. From a Commerce Department viewpoint and from an outside viewpoint, such a development looks pretty clearly like unwarranted duplication. The trade adviser in the State Department has a function, but clearly that function is not, so long as the Bureau of Foreign and Domestic Commerce still works, the supplying of trade information to the American public. It works the other way, within the Department, and should be developed only to the extent that State Department administrative requirements justify.

A SEPARATE DEPARTMENT OF FOREIGN COMMERCE

In summary, the outstanding needs of our governmental foreign trade promotion work are: more adequate pro-

vision for experts, for editors and general staff in the Bureau of Foreign and Domestic Commerce; more adequate administrative machinery within the State Department; a clearer delimitation of the work of consuls and commercial attachés; a clearer delimitation of the work of the office of the Foreign Trade Adviser in the Department of State; better coördination of the State Department and Commerce Department work in this field; a stronger, better paid and more business-like diplomatic service; a better paid consular service. There is the outstanding need of a concerted foreign policy on trade matters at least, and there are numerous minor adjustments and administrative betterments that could be made to advantage.

The foregoing comment on the points of disagreement between the two departments has been given in its blindest form. There is no sharp clashing of efforts between the Commerce and State Departments; in the main, they work harmoniously, and possibly the very existence of a certain rivalry between the two departments has been beneficial in spurring each to its best efforts. Talk of "divided control" of foreign service exists and an effort has been made in this paper to point it out frankly in its most extreme issues.

In England, they have had the same question to consider and the conflict of interests between the British Foreign Office and the Board of Trade was deemed serious enough to require legislative action. That action has set up a separate Department of Overseas Trade, poised midway between the Foreign Office and the Board of Trade, controlling and centralizing all the foreign trade work of the British Government. The policies and administration of the Overseas are in the hands partly

of the Foreign Office, partly of the Board of Trade and partly of the Overseas itself.

Many interested American business men and officials believe that a separate Bureau or Department of Foreign Commerce, consolidating the present Bureau of Foreign and Domestic Commerce and its commercial attachés and trade commissioners with the foreign trade work now being performed in the State Department, with

joint control by the head of the separate Bureau or Department and the Commerce Department and the State Department, offers the biggest chance for improvement and coördination of our own governmental foreign trade work. Mr. Harding, in a speech at Louisville, has indicated that he is considering this subject. It will undoubtedly come up for a hearing in this country, and probably in the not distant future.

The Foreign Trade Work of the Chamber of Commerce of the United States

By CHAUNCEY DEPEW SNOW

Manager, Foreign Commerce Department, Chamber of Commerce of the United States of America

AS foreign trade matters have assumed more importance in the course of business in individual business concerns in the United States, they have naturally occupied to a growing extent the attention of the chambers of commerce and national and sectional industrial and trade associations. This development has been reflected in the activities of the Chamber of Commerce of the United States, which is a national headquarters for the chambers of commerce and most of the trade associations, as well as having an individual and associate membership itself, consisting of thousands of business men and business houses. From the time of its organization, in 1912, the National Chamber has continuously dealt with important questions in the growth and promotion of the foreign trade of the United States. This was contemplated in its organization purposes and has been noticeable from the outset in the resolutions and discussions in annual and special conventions and in the referenda by which the Chamber endeavors to reflect the concentration of business opinion on vital

national questions in the United States. The opening of a Foreign Commerce Department in the National Chamber in 1920 did not mark the taking up of a new activity but simply the recognition of foreign trade as one of the outstanding sides of American business presenting national problems. Adequate machinery was set up within the Chamber to assure proper attention to foreign trade matters arising in the regular course of the organization's work.

In the membership of the Chamber of Commerce of the United States are found such organizations as the American Manufacturers' Export Association, the Philadelphia Commercial Museum, the National Association of Manufacturers, the American Exporters' and Importers' Association, the Export and Import Board of Trade of Baltimore, and the Foreign Trade Club of San Francisco, all of which are either exclusively or to a very large extent concerned with the work of foreign-trade promotion. The membership also includes such chambers of commerce and similar organizations as the

New York Merchants' Association, the Chicago Association of Commerce, the New Orleans Association of Commerce, the Detroit Board of Commerce and the San Francisco, St. Louis, Seattle, Portland, Philadelphia, Cincinnati, Cleveland, Pittsburgh, Los Angeles and Boston Chambers of Commerce, to mention only a few of the most prominent local organizations maintaining definite and organized foreign trade activities.

Another important element in the membership of the National Chamber, from a foreign trade standpoint, is the American Chambers of Commerce in London, Paris, Milan and Naples, Brussels, Barcelona, Constantinople, Mexico City and Tampico, Buenos Aires, Havana, Rio de Janeiro, Sao Paulo, Shanghai, Peking and Tientsin. Further, national industrial and trade associations which have developed definite foreign trade activities, such as the Tanners' Council, the National Automobile Chamber of Commerce, the National Implement and Vehicle Association, the American Paper and Pulp Association and the Music Industries Chamber of Commerce, to mention only a few, are active organization members in the National Chamber. Every one of the organizations coming within these various classes has foreign trade matters, possibly in the shape of declarations or resolutions, possibly practical problems coming up in the run of business, which are taken up with the national organization in Washington. Foreign trade interests are recognized specifically in the appointment of two members of the Board of Directors of the Chamber of Commerce of the United States. Obviously, this character of organization membership and representation in the councils and work of the Chamber assures a pretty broad field of foreign trade endeavor, to say nothing about the problems and

inquiries presented by the business concerns which make up the individual and associate membership.

The broader activities of the Chamber of Commerce of the United States on foreign trade lines are numerous. It has taken part in building up the foreign trade promotion service of the government. At the first annual meeting the needs of improvement of the American consular service were taken up, and in 1913 a referendum gave the support of the organization membership to the development of the Bureau of Foreign and Domestic Commerce. In 1915 another referendum furthered the extension of the work of that Bureau and the improvement of the consular service on certain specific lines. The subject which later became embodied in the Webb-Pomerene Law was urged by the Chamber. The questions relating to the American merchant marine are another example of topics of nationwide interest bearing on American foreign trade on which the membership of the Chamber has gone on record and pressed toward constructive action.

In two of its national conventions, the organization has had special foreign trade meetings. It took the initiative in 1919 in inviting delegations of business men from Great Britain, France, Italy and Belgium to a conference at Atlantic City which led the way to the formation of the International Chamber of Commerce in 1920, and helped to clarify and point the way on some of the most clouded issues in connection with international financial transactions following the war. The Chamber of Commerce of the United States is the national organization in this country which has conducted the organization work of the International Chamber. Arbitration of commercial disputes between business men in the United States and buyers or sellers in foreign countries is

another line of foreign trade activity on which the Chamber of Commerce of the United States has made considerable progress. Following the first Pan-American Financial Conference, arrangements for the arbitration of commercial disputes between business houses in the United States and in Argentina were worked out with the *Bolsa de Comercio* in Buenos Aires. The agreement became effective in April, 1916, and some of the more serious commercial disputes have been settled under it. Similar agreements for arbitration have been negotiated with commercial organizations in some of the other Latin-American countries and further agreements are now being negotiated. The Chamber has also given its good offices in clearing up misunderstandings and bringing about satisfactory settlements in many commercial disputes between Americans and foreigners before the matters involved came up formally for arbitration. Increasing contacts with trade bodies in foreign countries are being made from year to year.

The Chamber is working to build up a solid appreciation of the importance of foreign trade, in every part of the United States, in which it is meeting with the coöperation of its organization members. Foreign trade matters are brought to the attention of the entire membership through regular publications: *The Nation's Business* has a distinct foreign trade slant, the Legislative Bulletin covers federal legislation touching on foreign trade and the General Bulletin carries a record of important government publications, regulations and orders affecting foreign business. The Foreign Commerce Department Committee of the Chamber, consisting of three members of the Board of Directors and nine other business men from various parts of the country, each directly interested

in some line of foreign business, meets every two months and recommends to the Board of Directors action on the most important questions that have arisen in the Department. A phase of the general work of promoting interest and increasing the spread of foreign trade education and publicity is the contact with the Department of Commerce and the Department of State. The Chamber arranges with its member organizations for the visit of returning government officials from abroad and foreign visitors, in delegations and singly,—a strong point in developing interest and spreading information.

The Chamber is especially interested in the increase and betterment of the facilities for foreign trade, such as the postal service, the cable and radio services, shipping facilities, marine and other insurance, banking and all the services of foreign trade information,—credit reports, reports on business conditions, trade opportunities, laws and rules and regulations in foreign countries which are pertinent to the business interests of the United States. The support given to the so-called McHugh Plan for a foreign financing corporation under the Edge Act, to operate on a large scale of long-term credit transactions in the foreign trade, as sponsored by the American Bankers' Association, is one concrete example of the Chamber's activity in connection with such matters. The Board of Directors of the Chamber, on a report by a special committee, recommended that the McHugh Plan be brought before all the members of the Chamber for their sympathetic consideration. In advance of the organization meeting in Chicago, a circular, with a covering letter giving all pertinent facts in regard to the plan, was sent to each member receiving service from the Chamber. Another example of this sort of work for better facilities is the Foreign Com-

merce Department's action in bringing to the attention of all organization members the importance of the new statistical classification of exports and imports and the need of added appropriation in order to enable the new schedules to be made effective. Participation in the preliminary conferences in the Department of State with regard to the International Communications Conference is another instance of the same sort of work. The Department keeps in touch with all government offices dealing with foreign trade matters, as it does with all the trade organizations with foreign departments.

The Foreign Commerce Department of the Chamber handles a considerable volume of correspondence on foreign trade subjects, particularly on topics that come under the heading of "problems." Members of the staff are familiar with export and import practices, statistics and the literature of foreign commerce, and endeavor to keep thoroughly posted as to new developments which will help the members to solve their problems. Perhaps the most useful service function to an inquiring individual or associate member is providing information as to sources from which members may obtain service and assistance in the various branches of foreign trade. "Helping the members to help themselves" was the key-note of the first pamphlet issued by the Department, bearing the title *Promoting Foreign Trade*, with the sub-title, *With Particular Reference to the Work of Chambers of Commerce*.

The Foreign Commerce Department is proceeding on the theory of not attempting to duplicate the foreign trade work that is being done by the government offices, and other recognized trade information agencies whose services are readily available. The local chamber of commerce in a manufacturing and trading community is one of the

most useful centers of foreign trade information for current and frequent reference and the National Chamber makes a special point of helping the local organizations to render the best possible foreign trade service. Besides commercial and trade associations, there are banks, trade papers, freight forwarders, railroads, shipping companies and other sources of foreign trade information readily accessible to the average exporter, and the more familiar he is with their functions and the more familiar they are with the primary sources of foreign trade information and with the needs of the exporter, the better the service all around.

The National Chamber does answer direct foreign trade inquiries and endeavors to give its members the information which they request. At the same time, it makes a point of indicating to the inquiring member the best original sources of information on the topics involved and thus continuously carries on a line of educational work. Questions covered include foreign financing, credits, ocean transportation, freight forwarding, marine and pilferage insurance, trade mark registration, foreign patent requirements and other foreign laws, export packing, postal facilities, foreign consular requirements, tariff rates, translations, advertising and trade lists. No attempt is made to build up a staff service on each of these lines which would duplicate work being admirably done by the Bureau of Foreign and Domestic Commerce, the National Association of Manufacturers, the American Manufacturers' Export Association, the Philadelphia Commercial Museum, the great credit-reporting agencies, the banks, etc. The important thing is that the inquiring member shall know the best specialized agencies in the field of his inquiry.

The biggest work of the Chamber of Commerce of the United States in the foreign trade field is unquestionably in the lines of developing solid sentiment for and understanding of the significance of foreign trade; contributing to the establishment, adoption and prosecution of sound national policies on foreign trade; and working for a better national equipment for the conduct of foreign business. Improving the facilities for foreign trade information work by the member organizations of the

National Chamber is one of its helpful functions. Through its publications, the Chamber itself spreads a great deal of vital information regarding foreign trade legislation, literature and topics of particular interest at a given time. It performs a certain amount of definite and specific service work with its individual and associate members. It aims at helping to solve acute problems and encouraging the development of the best standards of practice in American foreign trade.

The National Foreign Trade Council

By O. K. DAVIS

Secretary, National Foreign Trade Council

IN the early part of 1914, when the United States was undergoing one of those periodical depressions characterized by decreasing consumption, the leading business men of the country realized very forcibly that the manufacturing industries of the country had reached a point where more could be produced than could be consumed in the domestic market. The need for foreign markets became very real, very evident. Yet the United States was in no condition to expand its foreign trade. The majority of our manufacturers were frankly unsympathetic toward the development of foreign fields. The government, too, was interested chiefly in domestic problems. The American exporter was faced by an almost total lack of American tonnage, by an under-equipped and poorly-housed government trade service, and by commercial treaties of an uncertain nature.

Before there could be any real expansion of American foreign trade under such conditions, two things were necessary: the country at large had to be educated to the need for foreign trade

to insure domestic prosperity; and means had to be found of removing the legislative and commercial obstacles. No one of the factors concerned in the development of foreign trade could by itself secure the ear of the people and of the government. The situation required combined action of an impressive nature.

To bring about this coöperation and to provide a body whose deliberations would attract the necessary attention, a meeting was called at Washington in May, 1914, by the American Manufacturers' Export Association, the American Asiatic Association, and the Pan-American Society of the United States. There assembled some four hundred men who were the leaders in manufacturing, merchandising, agriculture, banking and transportation. They came from all parts of the country, and represented the small concerns as well as the large. This gathering received the support of the Secretaries of Commerce and State, and the delegates were received by the President. All aspects of the foreign trade situation were considered, and the final

declaration of the convention contained, as its main features, ideas which have been the rallying points of foreign trade discussion since.

Recognizing the need of a permanent non-political and non-partisan body able to formulate policies essential to foreign trade and to bring such policies to the attention of the whole country, this gathering authorized the formation of the National Foreign Trade Council with an initial membership of thirty (later increased to seventy-five).

The Council, whose membership includes manufacturers, merchants, farmers, railroad and steamship men, bankers and others, representing as nearly as possible all sections of the United States, provides no direct commercial service, its function being investigatory and advisory. It seeks to coöperate with all other organizations in the encouragement of sound national foreign trade policy. The members support the work of the Council as a public duty.

The Council was authorized specifically by the resolution creating it to call a Second National Foreign Trade Convention, and such annual conventions have become a leading feature of the Council's work. The second convention was held at St. Louis. Subsequent conventions were at New Orleans, Pittsburgh, Cincinnati, Chicago and San Francisco. The eighth convention will be held in May in Cleveland.

There has been a gradual widening in the scope of the program of these conventions, until they have become the one regular assemblage exclusively devoted to foreign trade, which represents the mutual interests of manufactured and natural products, industry, merchandising, transportation and finance. The published proceedings of the seven conventions thus far held are acknowledged to contain a greater

amount of authoritative and well digested information on foreign trade problems than is obtainable in any other volume.

Year by year since the formation of the National Foreign Trade Council its effectiveness has increased and its influence has expanded. Among its activities may be enumerated the following, which are only representative of its many other interests:

War Emergency. Investigation of shipping congestion begun by a special merchant marine committee the day following the outbreak of the European war. A special meeting of the Council at New York, August 10, 1914, resulted in a vigorous call for enactment of ship registry legislation, establishment of war risk insurance, and a declaration in favor of coöperative effort by all interests for restoration of normal exchange. The conclusions commanded instant support throughout the United States and encouraged prompt enactment of the necessary legislation by Congress.

In the emergency conference called by the Secretary of the Treasury at Washington, August 14, 1914, members of the Council were requested to assist in drafting regulations providing for the expeditious transfer of foreign-built ships to the American flag under the ship registry laws. To this the smooth operation of the registry law is largely due.

Dollar Exchange. To meet difficulties of Latin-American trade, and to encourage the establishment of dollar exchange, the Council urged the Federal Reserve Board to give early effect to the regulations providing for the rediscount of foreign paper. This was done and dollar exchange has been utilized to an unprecedented extent in Latin-American trade.

Latin-American Trade. Participation of the committee representing the

Council in the Latin-American trade conference called by the Secretaries of State and Commerce at Washington, September 10, 1915. The committee offered a report arising from the co-operation with the Latin-American exporters and importers, and this resulted in the appointment by the Secretary of Commerce of a national Latin-American trade committee of nineteen, including a large number of members of the Council. This committee in turn adopted a further report on Latin-American trade, recommending ways and means for establishment of dollar exchange and setting forth the fundamentals, such as investment, coöperation, etc., necessary for an increase of United States commerce with Latin America. It pointed out the difficulties as well as the opportunities in Latin-American trade and emphasized the need for improved credit machinery before existing trade could be handled, to say nothing of future business. Many manufacturers and merchants were dissuaded from hasty invasion of Latin-American markets, which might have resulted disastrously and reacted on the cause of sound foreign trade extension.

Support of the Department of Commerce and Consular Service. The Council has been unremitting in its advocacy of increased resources for efficiency of the already effective Department of Commerce and the Consular Service, which render valuable aid to all business engaged in or affected by foreign trade. The Council has issued special reports urging increased appropriations for these services, which were in part granted by Congress. A practical and successful effort was made in behalf of a suitable building for the United States Consulate General at Shanghai. The principle of acquisition of suitable embassy and legation buildings and consulates where

needed is constantly advocated by this organization.

Exports Control. Upon the American declaration of war against Germany the National Foreign Trade Council, through its Committee on Exports Control, coöperated with the government in the earnest effort to assist in the accomplishment of the chief purposes of the exports control law, namely, the prevention of aid to the enemy, directly or indirectly, through neutrals, or through enemy traders, and the conservation of tonnage and war materials for ourselves and our Allies.

When the Armistice was signed, the Council was bending every energy to the expansion of exports of high value and relatively small bulk, especially to the neutral markets of the Far East and South America, in order to secure prompt and substantial improvement of the adverse exchange situation then obtaining with those regions.

Immediately following the signing of the Armistice, the Council, through its Committee on Exports Control, joined with other associations in efforts to secure the prompt relaxation of trade restrictions by the War Trade Board, and the largest possible allotment of merchant ships to commercial service by the Shipping Board and the War Department. These efforts were attended by a substantial measure of success. Close touch was kept with the situation at Washington until practically complete relaxation of war restrictions was obtained.

Production for Foreign Trade. The absorption of American producers generally in war work, and their energetic coöperation with various branches of the government which were vigorously stimulating war production, had caused a renewal of the old tendency among American manufacturers to disregard foreign trade for the domestic

market. This was a matter which called for effective action by the National Foreign Trade Council. In all ways available to it, by correspondence, by personal interview, public address and through its various means of publicity, the Council was unremitting in its efforts to emphasize the ultimate danger of present neglect of foreign connections.

Problems of Smaller Foreign Traders. Much of the work of the Council is concerned with legislation and the creation of a public opinion on the necessity of an overseas trade, and the Council has never lost sight of the importance of having our smaller manufacturers and merchants participate in foreign trade. In response to the numerous inquiries which it has received from all over the country, the Council prepared a small pamphlet on *Starting to Export*, setting forth in brief analysis the elementary steps to be taken in entering export trade, the sources of information to be consulted, and the policies to be observed.

Export Quotations. As a result of frequent disputes arising out of the misuse of the term "F. O. B. (Port)," the Council, in coöperation with other important foreign trade associations, prepared a series of definitions of export quotations and recommendations for a standard American export practice. These were embodied in a pamphlet entitled *American Foreign Trade Definitions*, over 100,000 of which have been distributed in this country and abroad.

As a result of this standardization of terms, the Council has been able to awaken so great an interest in correct

foreign trade technique, that many problems and disputes involving the use of trade terms are being submitted for the Council's opinion and decision.

Improved Foreign Communications. In the summer of 1919, a Committee on Foreign Communications was appointed to deal especially with the situation arising out of the great congestion on the trans-Pacific cable and wireless. At its first meeting, this committee adopted a resolution declaring against government ownership or operation of trans-oceanic systems of communication, and urging the prompt return to their owners of such commercial wireless systems as were still under government control. The committee also recommended that, pending the return of the commercial radio stations to their owners for operation, the use of the naval radio stations in commercial service be continued. There is reason to believe that the activity of the Council's committee had material influence in bringing about the improvement of conditions in trans-Pacific communication and in securing the promise of better facilities for the future.

Foreign Trade Education. The National Foreign Trade Council has always taken the most active interest in the development of adequate facilities for foreign trade education. The Council has lost no opportunity to coöperate actively with the large number of educational institutions all over the country which are engaged effectively in preparing young men for foreign service. The subject of Education for Foreign Trade is always a feature of the Foreign Trade Conventions.

American Chambers of Commerce in Foreign Countries

By JAY E. FITZGERALD

Chamber of Commerce of the United States of America

WITH the ending of the European War came a marked revival of interest in American commercial organizations in foreign countries. Chambers of commerce already in the field launched membership campaigns and took measures to improve their service; publications were revived and enlarged; organizations that had depended on volunteer service employed paid executives and provided the necessary clerical staff; in short, efforts were made to put the American chambers of commerce on an efficient working basis. New organizations were formed in a number of cities, including Peking, Harbin, Hankow and Changsha, China; Sao Paulo, Santos, and Pernambuco, Brazil; Habana, Cuba; La Paz, Bolivia, and Johannesburg, South Africa. In addition to these, there are now American commercial organizations in Paris, London, Barcelona, Milan, Naples, Constantinople, Shanghai, Tientsin, Buenos Aires, Rio de Janeiro, Valparaiso, Barranquilla, Mexico City, Tampico, Monterey and Manila.

As independent, voluntary organizations deriving their support from initiation fees and annual dues and neither controlled nor supported by their government, American chambers of commerce in foreign countries have developed along individual lines. Their type of organization and service methods have been determined largely by local conditions, just as is the case with commercial organizations in the United States. Some of the chambers are incorporated in the United States and others under the laws of the countries in which they are domiciled.

The American chamber at Paris is the oldest organization in the field and

its by-laws have served as a model for a number of chambers formed at later dates. The organizations in London, Barcelona, Milan and Rio de Janeiro and other Brazilian cities adopted most of the features of the Paris statutes. By-laws of the chambers at Shanghai, Tientsin and other cities in China differ in many respects from all others, owing to conditions peculiar to their field. The organizations at Mexico City, Tampico and Monterey have practically the same by-laws, determined in some features by the Mexican legal requirements. The chamber at Buenos Aires worked out by-laws differing in a number of particulars from those of other organizations, and the chambers formed later at Habana and Johannesburg are modeled after these statutes. Constantinople and Naples have similar by-laws, based upon those of the Paris chamber.

The fundamental difference between the types of organization adopted by American chambers abroad lies in their membership qualifications, on which basis they fall, generally, into two classes: those in which active membership is limited to American individuals and firms, and those which admit to active membership citizens and firms of other nationalities. This difference in membership qualifications resulted primarily from the need of support, financial and otherwise, in carrying on the work of the new organizations. If there had been in every foreign city in which an American chamber of commerce was formed a sufficient number of Americans to give it adequate personal assistance and financial support, or if at the outset there had been assurance of sufficient support from business

men in the United States, undoubtedly all of them would have restricted active membership to Americans. Under actual conditions the American colony considering the organization of a chamber had to decide whether to invite support from the business men of the country in which they were located by according them active membership, or to go it alone and trust to help from business interests at home.

Where other than Americans are permitted to become active members, however, the eligibility of foreigners to office in the chamber is more or less restricted, with a view to preserving the American spirit of the organization and ensuring control by the American element in its membership. To require that only Americans be admitted to active membership would probably have delayed the organization of American business interests in some countries, but such a requirement is generally considered desirable and is the ultimate aim of American organizations. It is significant that the policy of the Association of British Chambers of Commerce is to admit to its membership only those British chambers in foreign countries that restrict membership to British individuals and firms.

Most American chambers of commerce in foreign countries have the administrative machinery with which business men in this country are familiar. There are the usual elected and appointed officers, committees, etc., with the work centering around the secretary. The success of the organization depends largely on its secretary, and few chambers are fortunate enough to have among their members someone who can give the necessary time to the work ordinarily performed by a salaried executive and who is likewise qualified for the work. The most promising feature of Amer-

ican commercial organization work abroad is the increasing number of chambers that are employing competent and experienced men as salaried secretaries and providing them with an adequate clerical staff.

Service, in its broadest sense, is the chief function of an American chamber of commerce. It serves the American business public by upholding in foreign countries the highest standards of American commercial practise, by bringing about a solidarity of American interests and promoting their development, by representing to foreign peoples the views and aims of American business men, and by interpreting the foreign point of view to the American business public. In performing such service the American chamber works for all American commercial interests.

By service is usually meant, however, the work undertaken for individual members who through their annual dues are contributing directly to the maintenance of the organization. These members include, in most cases, the resident and non-resident Americans and the native business men who are accorded active or associate membership. Individual service, therefore, is usually designed to meet the needs of all three classes.

A distinction may be made between the service provided voluntarily and regularly, and the service that is given in response to occasional needs. The publications issued by the chamber are an example of the former class, and the adjustment of commercial disputes an example of the latter. In one case the chamber on its own initiative places in the hands of its members a publication containing information of interest and value to them. In the other, the chamber equips itself to render specific service as occasion demands. This readiness-to-serve is more than mere willingness to try to do

things, for readiness implies preparation and organization.

What our commercial organizations abroad are doing for the American business man can be judged from a brief statement of various activities they have undertaken. Not all of them furnish all the services here indicated, nor does the statement include special lines of work that some chambers are doing.

Information. All American chambers undertake to furnish their members with information such as statistics of imports and exports of specified lines, reports upon customs duties and regulations, commercial travelers' licenses and fees, inland and ocean transportation routes and tariffs, exchange rates, patents and trade-marks, pending legislation affecting American interests, etc. Information of this character is primarily for the use of American business men. The chamber likewise serves as a medium to acquaint the business men of the foreign country with American views and interpretation of commercial terms, etc. So far as such information is of general interest it may be conveyed to members through the chamber's periodical; matters of interest to only certain classes are sometimes sent to these by letter or circular. There is always, in addition, a certain amount of special information which the chamber has in its files or has arrangements to obtain through its relations with the sources of such information, both governmental and private.

Credit Reports. Usually chambers of commerce restrict their credit information service to indicating to inquirers the sources from which such information can be obtained, for a chamber of commerce can not well assume the responsibility involved in making credit reports. Some chambers arrange to secure for their mem-

bers reports from agencies engaged in that business.

Agents and Connections. The American chamber of commerce is usually in position to furnish firms in this country with the names of foreign individuals or firms who will make satisfactory agents or representatives. Satisfactory service in this respect depends largely on the chamber's acquaintance with native commercial interests. While some chambers furnish merely the names of persons who might be appointed as agents, others render a distinctly helpful service by giving information as to the nature of the business handled by the foreign firms, their connections in foreign trade and their equipment to handle an agency. Many chambers use their periodicals to furnish both native and American firms with the names of business houses seeking foreign connections.

Assistance to Travelers. American salesmen visiting foreign countries, especially those representing firms that are members of the American chambers abroad, look to these organizations for information as to business conditions, local commercial regulations, itineraries, hotel accommodations, etc. They are also anxious to obtain advice as to the best "prospects" to approach. The American commercial organizations, which are thoroughly acquainted with native business interests and which have gained their confidence and esteem, can not only furnish such information but can also secure an entrée for the American traveler that he would not otherwise enjoy. Another service frequently given American travelers is the finding or furnishing of competent interpreters and translators.

To foreign business men who visit the United States the American chamber is especially helpful. It tells them what places they can profitably visit,

maps out tentative itineraries, furnishes letters of introduction, etc. The favorable impressions of the United States and American business men that foreigners carry back to their own countries have been due in many cases to the care taken by American chambers of commerce in planning for their visits and in arranging for them to meet the right people while in this country.

Office Facilities. The quarters of an American chamber of commerce are of direct service, in many cities, both to the resident American members and to visitors and native business men. They serve as an American business headquarters, the place where resident Americans meet to discuss their problems and where visiting Americans and others may come for information and for conferences. Most chambers have libraries and reading rooms, where are kept the reference works, periodicals, etc., needed by the chamber in its work, and where informal conferences are held. The libraries of American chambers range in size from those containing a comparatively few of the indispensable reference works up to those having twelve thousand volumes on their shelves. In some organizations special attention is devoted to trade journals and catalogues, which are filed and indexed so that they may be readily consulted by persons seeking information.

Adjustment of Trade Disputes. Every American chamber of commerce has opportunities to assist in adjusting trade disputes that arise between American and foreign business men. Some organizations make definite provision for such service through appointment of committees and adoption of a uniform course of procedure in making surveys and handling arbitrations. Many disputes, especially those due to misunderstandings or to misinterpre-

tation of correspondence, are handled in an informal manner. The success of the chamber in arbitration work depends largely upon its establishing and maintaining a reputation for impartiality and efficient handling of cases brought before it.

Employment. Some chambers conduct a service designed to find positions for competent employes, and for this purpose use their periodicals. Other chambers also offer to aid employers to find satisfactory persons to fill positions they may have open.

Publications. Practically every chamber of commerce issues a weekly, fortnightly or monthly publication. Some are in English only; others in both English and the language of the country in which the chamber is located; still others in the language of the foreign country. Some carry advertising while others do not. Some contain material of interest chiefly to the Americans resident in the foreign country; others aim to present material of interest chiefly to the business man in the United States; still others are designed to make an appeal to all business men, American and foreign, who are interested in the trade of the two countries. Some chambers of commerce have, in addition to the formal publication, a weekly bulletin service designed principally for the active resident membership. In the last two years there has been a notable improvement in these publications, in both appearance and contents. Several chambers have also inaugurated a news service, by which weekly or monthly commercial reports are sent by mail or cable to agencies in the United States for distribution.

There are many other ways in which our commercial organizations abroad can serve the American business man. Some chambers have developed a specialized service system; others, par-

ticularly the younger organizations and those located in cities without a considerable number of resident Americans, are unable to provide the service that will be possible when their membership and revenues are increased.

The American chamber of commerce is always in position to cooperate with the consular service, with representatives of the Department of Commerce, with foreign chambers and with American organizations both in the United States and abroad. In a majority of cases the initiative in establishing the chamber has been taken by the resident American consular officer, and the consul is actively interested in the chamber's work. Arrangements are frequently made with the local foreign organizations for an exchange of publications and service that proves helpful to both.

American chambers of commerce abroad have sometimes complained,

and not without reason, that their work is not accorded the support it should receive from home business men. At the same time they have realized that they lacked a direct point of contact with these home business interests. As a result some American chambers have established, and others are arranging to establish, in the United States representatives and committees to promote their interests, and particularly to increase their membership. Their plans also contemplate providing service through the medium of such representatives and through connections with commercial organizations in this country. A majority of the American chambers are organization members of the Chamber of Commerce of the United States, which is actively taking up the problems they encounter and endeavoring to improve and extend their service.

The International Chamber of Commerce

By JOHN H. FAHEY

Chairman, Organization Committee, International Chamber of Commerce

THE International Chamber of Commerce, which was created in Paris in June, 1920, succeeds the International Congress of Chambers of Commerce and Industrial and Commercial Organizations. The International Congress of Chambers of Commerce was organized in 1904. Its first meeting was held in Liege, Belgium. Thereafter, meetings were held at Milan in 1906, at Prague in 1908, at London in 1910, at Boston in 1912, and at Paris in 1914. A permanent committee was appointed to conduct the affairs of the International Congress between the regular biennial meetings. While this project was approved by the leading countries of

the world, the International Congress failed in the essentials of an international business organization for the reason that it did not have a permanent staff and permanent headquarters to function during the intervals between general meetings, and to give force and effect to the acts and resolutions of the Congress.

Business men of the world recognized this weakness, and at a meeting of the Permanent Committee of the International Congress of Chambers of Commerce, which was held in Paris soon after the signing of the armistice, came to the conclusion that steps should be taken either to reorganize the old International Congress of Chambers

or to create a new organization which would be permanent in character and constituted so as to bind together the business and economic forces of the countries of the world, and to furnish a body to which business men of the nations could turn for information regarding commercial, financial and economic conditions in all foreign countries.

Reconstruction problems claimed the attention of the members of the Permanent Committee at the meeting in Paris after the signing of the armistice. Belgium, France and Italy needed assistance. The United States was prepared and eager to aid in the rehabilitation of these countries. In order that the problems of reconstruction might be brought effectively to the attention of American business men and financiers, the Chamber of Commerce of the United States invited Belgium, France, Great Britain and Italy to send representative business men and bankers to meet similar representatives in the United States. This opportunity was afforded at the International Trade Conference which was held in Atlantic City during October, 1919. Following the Conference the foreign delegates were taken for a tour of the principal industrial centers of the United States.

One of the concrete results of the International Trade Conference at Atlantic City was the development of plans for establishing a permanent international organization. The general principles upon which such a body should be created were agreed upon by representative delegates in attendance at the Conference. A Committee on Permanent Organization, representing the five countries which participated in the meeting, was appointed to further perfect plans for the organization. It was decided that a meeting should be held in Paris in June, 1920. The Com-

mittee on Permanent Organization was charged with the duty of studying various methods of organization in order to report a plan to the general meeting in Paris. The recommendations of the Committee on Permanent Organization were unanimously adopted, the International Chamber of Commerce was created, and a constitution and regulations for governing the International Chamber were adopted at the general meeting. It is now functioning at its temporary headquarters, 33 rue Jean-Goujon, Paris, France. Dr. Edouard Dolleans, of the University of Dijon, is serving as temporary General Secretary of the International Chamber.

In addition to the permanent headquarters, the plan provides for a general meeting every two years of delegates, representing the commerce of the nations. At such meetings resolutions and proposals on which advance notice has been given may be brought up for action as well as reports of committees which have been at work during the periods between meetings. In addition to the general meeting in which all delegates will participate there will be sectional meetings devoted to finance, transportation, production, distribution and such other divisions of business activity as the membership may wish to organize. The first general meeting of the International Chamber will be held in London during June, 1921.

A Board of Directors, representative of all the countries, has general direction of the business of the Chamber. It will organize the committees and supervise investigations, and will assemble frequently in the intervals between the general meetings of the membership. The International Headquarters will serve as a general clearing-house of international business information. It will provide a staff of

experts to work under the supervision of the Directors and Committees, and will regularly issue to the entire membership reports and bulletins on general conditions. In addition to the general staff at the headquarters, each country will be constantly represented there by an administrative commissioner of its own choosing, having expert knowledge of the special needs of his own country. In each nation holding membership in the Chamber there will be organized a National Bureau or Committee representative of the economic interests of that country, which will act as the connecting link with the International Chamber.

A definite benefit to all the people of the world is to be derived from having a voluntary body, such as the International Chamber of Commerce, thoroughly representative of many nations, ready to discuss and adjust such important questions as finance, transportation, raw materials, production, shipping, unfair competition and numerous other phases of international trade.

The world's business is handicapped not only by a lack of dependable information to guide it but also by hundreds of needless obstacles and inconsistencies in the laws affecting business in all the countries. Scores of these laws have not been changed in a hundred years or more. They were designed to control conditions existing long before present methods of transportation and communication changed the world's system of business. Today these regulations and statutes delay, confuse and waste, representing unnecessary cost in the distribution of the world's merchandise. A systematic survey of these laws and constructive suggestions from the business men, presented through their organizations, should prove helpful in eliminating these difficulties and making the commercial laws of all countries consistent

where there is no sound reason for difference.

In offering suggestions concerning legislation, the plan of organization of the International Chamber insures consideration of the questions involved and the recording of decisions in a thoroughly democratic fashion. No decision nor recommendation may be arrived at without careful study, without full public discussion and due notice to every country and every interest involved. Decisions may be reached under these rules at the general conferences of the Chamber or by means of a system of referenda which has been found successful in many countries and will now be tried on an international scale for the first time. Since all proposals must have the support of intelligent men in all parts of the world, the moving consideration in arriving at decisions must be what is best in the interest of all, for the intelligent men of business today know that nothing can be good for business which is not in the public interest.

The chief functions of the International Chamber of Commerce, therefore, will be to consider laws affecting commerce, to suggest changes and the enactment of new measures which will improve conditions; to effect reforms on their own initiative in business customs and practices which will bring better results; to gather and distribute information necessary to the better conduct of commerce and suggest to governments improvements of existing systems.

Indirect benefits are to be derived from the plan of the International Chamber. These advantages will accrue from the personal acquaintanceships made as the result of meetings such as the International Chamber will hold regularly. Progress must begin with mutual understanding and estab-

lishment of confidence. Petty jealousies and narrow views which are reported to exist in one country as against another are soon found to have little foundation in fact, or may readily be overcome if they exist at all, when intelligent men really get together determined to find a basis of agreement. Unfortunately the rivalry and competition of commerce frequently cause needless friction in the world. Many of these alleged difficulties would disappear if the men who are actually engaged in the business operations involved would meet and attempt to understand each other.

Considerable progress has been made in developing the organization as contemplated in its constitution. Belgium has established its National Bureau and has appointed its Administrative Commissioner. The same is true with respect to Italy and the United States. France and England have established their National Bureaus but have not as yet selected their Administrative Commissioners.

M. Étienne Clémentel has been elected first president for the International Chamber of Commerce. M. Clémentel was formerly French Minister of Commerce and is now a member of the French Senate. He was a member of the Supreme Economic Council. He is president of the Board of Directors of the National Office of French Foreign Commerce and president of the National Committee of Councillors of French Foreign Commerce.

Mr. A. C. Bedford, chairman of the Board of Directors of the Standard Oil Company of New Jersey, is vice-president of the International Chamber of Commerce. He is also chairman of the American committee. The American directors and alternates constitute the executive committee of the American section and are members of the

American committee. The American directors and alternates are:

Willis H. Booth, vice-president, Guaranty Trust Company, New York; former vice-president, Chamber of Commerce of the United States.

William Butterworth, president, Deere and Company, manufacturers of agricultural machinery, Moline, Illinois; vice-president, Chamber of Commerce of the United States.

John H. Fahey, publisher, Boston, former president, Chamber of Commerce of the United States, and now a member of its Senior Council. He was chairman of the Permanent Organization Committee of the International Chamber.

Edward A. Filene, president, William Filene's Sons Company, Boston; former director, Chamber of Commerce of the United States.

Harry A. Wheeler, vice-president, Union Trust Company, Chicago; first president, Chamber of Commerce of the United States, and now a member of its Senior Council.

Owen D. Young, vice-president, General Electric Company, New York; chairman, Board of Directors, Radio Corporation of America.

Dr. Frederick P. Keppel, formerly dean of Columbia College, and later third assistant secretary of war, and vice-president and director of overseas operations of the American National Red Cross, has been appointed administrative commissioner to represent the United States at the headquarters of the International Chamber in Paris.

An American section of the International Chamber has been established in the offices of the Chamber of Commerce of the United States in Washington. Mr. Lacey C. Zapf, formerly assistant manager of the Research

Department of the National Chamber, has been selected as its secretary. The American section will have an advisory committee of business men representing the different interests and geographic divisions of the United States.

This International Chamber affords a medium through which the business men of the United States may be kept constantly in touch with international affairs. Such an organization probably means more to the United States because of its vast area and the great diversity of its interests than to any other country.

The International Chamber has already taken steps to correct the evils of trade-mark piracy, to standardize documents and laws affecting commercial intercourse, to unify customs regulations and standardize the nomenclature in customs tariffs of the world. An *International Directory of Shipping and Quotation Terms* is to be compiled with a view to effecting a common interpretation throughout the world.

A research department is being organized to collect, analyze and inter-

pret statistical information for the business interests of the world. All nations at present gather statistics of their own commerce, but none regularly summarize this information in its relation to commerce of the world as a whole in such a manner as to meet the needs of business men.

The International Headquarters will digest and disseminate promptly, through the medium of regularly issued bulletins, information regarding the legislative activities of the governments of the world that may affect commerce or international business relations. Special bulletins will be issued from time to time relative to subjects of importance to the membership of the International Chamber. The annual reports of the International Chamber, the reports of special committees, the debates and deliberations of business men of the world assembled in general meeting, and interpretations of proceedings of other economic gatherings will all contribute to the centralization of valuable information which is not elsewhere assembled.

Organization Under the Webb-Pomerene Law

By ALLEN WALKER

Manager, International Trade Department, Guaranty Trust Company of New York

EUROPEAN public sentiment has apparently been little apprehensive of harmful results from combinations of traders and manufacturers, such as are prohibited in our domestic commerce by the Sherman Law, and very liberal government recognition has been given to coöperation in commerce and industry in the principal countries abroad.

Industrial combinations have long been developed in England, Germany, France, Belgium, Scandinavia and, to some extent, in Switzerland. In Eng-

land and Germany they have, perhaps, reached the greatest importance. German associations have long been a powerful influence in foreign markets in connection with the coöperative distribution of chemicals, dyes, metal goods, electrical products and other commodities. In Great Britain, groups of manufacturers in the engineering and similar industries have long been combined in an effective way for handling foreign trade by associations, in order to avoid harmful competition with each other in overseas markets.

These combinations have been extremely effective in promoting the foreign trade of the countries we have mentioned; and it was the recognition by Congress of the fact that they gave a definite competitive advantage in foreign markets over our individual American exporters which led to the legislation known as the Webb-Pomerene Law, which was passed early in 1918. By the terms of this Act, the restrictions of the Sherman Law are modified as to export trade, and competing American manufacturers and exporters may form such coöperative organizations as they may choose to establish, and may unite in agreements as to prices, the allocation of territory and other similar matters in connection with their trade operations in foreign countries.

Such organizations are under the supervision of the Federal Trade Commission. Since the passage of the law many so-called Webb Act corporations have been established in order to enjoy the advantages which are believed to be found in the plan. During the past year (1920) 43 associations, comprising approximately 732 concerns distributed over 43 states, reported to the Federal Trade Commission as acting under the Webb Act. These cover a wide variety of interests and include exporters of lumber, cement, machinery, chemicals, steel products, elastic webbing, textiles, tools and many other classes of commodities.

Aside from the fact that it is expected that organization under the Webb Law will serve to place American exporters on a better competitive footing in foreign markets, it is clear that many firms have been induced to join such combinations in the hope that a very considerable economy could be effected in the overhead charges required by export business. The necessary expenses of handling direct exporting are

heavy and may often be in excess of the amount that an individual firm could command. Through combination this expense may be shared amongst the member firms of the organization, and a well-equipped export staff may easily render efficient service to every member of the group at a fraction of the cost of an independent branch in the individual house. Even greater economy of cost and effort is found by combination for the employment of traveling agents, who may be sent to investigate conditions in foreign markets or to establish actual trade connections abroad. Certain associations have, in fact, been initiated at first merely in order to share in the charges necessary to send a competent trade scout abroad to spy out potentialities of world markets, with the idea that further coöperation would depend upon the reports of this investigator.

Sufficient time has not yet been afforded to give evidence of the full degree of the practical success attained by the Webb Law corporations which have been established since the passage of the Act. It is known that some of them are active and are carrying on a considerable volume of business.

The situation in the export trade has been a rather difficult one during the year 1920, and it is reported that certain combinations of manufacturers, who united after the armistice for the sale and distribution of their products abroad, are showing signs of discouragement. They have suffered so many disabilities in their attempts to sell overseas, particularly in European markets, that their members have become impatient and have urged the disbanding of the central organization. Waiting for orders under recent exchange conditions and diminished demand abroad have overcome their patience. In one or two instances, they have already begun to disintegrate and

have dismissed the executive staff of the export company which was formed expressly to develop foreign markets for the group.

No policy on the part of American manufacturers could better serve the interests of foreign competitors, who, with longer experience, realize the need for persistent application in the export field even during difficult periods.

A representative of the Guaranty Trust Company, who has recently returned from London, made it his business there to inquire into the exact extent of British activity to expand their foreign trade. In an official bulletin recently published by the company in question, this information has been given. There is little evidence of any relaxing of effort over there. There is, indeed, every indication of increasing vigor and determination to take advantage of existing circumstances to spread the British-controlled enterprise and British-manufactured product over the world more widely than before. No combinations are disbanding. They are not giving up, although they have labored under the same disabilities, relatively, as the American exporter. They find it just as hard to get cash from European buyers; they encounter just as much restricted buying all over the world and, in their own country, have had more burdensome labor difficulties and more production handicaps than American manufacturers have had during the past five years. The Britisher is more experienced, however, and he knows how to wait. He knows that periods of depression in sales are excellent times in which to lay plans for the future.

More important than all, he realizes that it is not wise to neglect foreign markets and then attempt to recapture them when they are urgently needed. He sets aside, during periods of abnormal domestic demand and exchange handicaps, enough of his product for overseas supply to keep his goods in the market and to assure his foreign customer that he is not being completely forgotten. The result of this wise policy is plainly written in the late figures showing the steady growth in volume and value of British exports and the record of freight earnings of British cargo-carrying ships, which it is expected will soon give Great Britain a favorable balance with other countries.

It is obvious that the mere act of combining for export trade does not in itself assure profits to American combinations in a trading field that is very difficult and where pitfalls are many. Training in foreign trade practice and knowledge of its many factors are essential qualifications for the successful development of Webb Law combinations. Where there has been such skill and training, it is known that these combinations have been weathering the present difficulties and continuing actively their efforts for the exploitation of foreign markets.

The recent legislation reviving the War Finance Corporation and the far-seeing plans for the development of Edge Law corporations should stimulate the activities of these companies and encourage them to carry on until the exchange situation is improved and European markets are more definitely restored to normal.

The Significance of the Edge Law in Relation to Foreign Trade

By PHILIP B. KENNEDY

Vice-President, First Federal Foreign Banking Association

THE Edge Law¹ approved December 24, 1919, provides for the federal incorporation under special provisions of international banks for financing our foreign trade. This law came into effect at a time when there was urgent need of extending credits to foreign countries in order to maintain a market for American exports. During the year 1919 our exports exceeded our imports by four billion dollars. This large favorable balance was offset primarily by our government loans extended during the year. It was announced early in 1920 that further government loans would not be made. The burden of extending foreign credits, therefore, would have to be borne by private investment. The Edge Law was calculated to furnish banking machinery which would enable widespread and, at the same time, safe participation in this financing by banks and individuals in different parts of the country. National banks are permitted to subscribe to stock in Edge Law banks up to 10 per cent of their capital and surplus.²

A large measure of discretion was wisely given to the Federal Reserve Board in the making of regulations. After careful study of this law and its possibilities, the Board issued its first regulations, March 23, 1920. In an analysis of the law and regulations, which is essential to a clear understanding of the powers and limitations, it will be noticed that many matters are subject to the approval of the

Federal Reserve Board.¹ The Board in its regulations has partially opened the door and has the power to open it wider as special problems develop. The character of financing to be done by Edge Law banks will therefore be a matter of growth, based on specific experience and conservative regulation.

The careful and conservative manner in which the Federal Reserve Board has approached its task of supervising Edge Law banks is due to its desire to proceed in accordance with sound banking practice and public policy and not through any lack of interest or support. The Board was of great assistance in giving advice in connection with the drafting of the Act, and has since followed the organization of Edge Law banks with close attention. Governor W. P. G. Harding, in a very able speech at the Annual Banquet of New York City bankers, January 17, stated that conditions in this country would not be normal until conditions in Europe were well on the way back to normal, and that American producers had therefore a vital interest in the extension of credits to Europe. In this connection he referred hopefully to the service which might be rendered by banks organized under the Edge Law.

The need for the extension of a reasonable amount of foreign credits is even more apparent at this time than it was a year ago.

DEPRECIATION OF EXCHANGE

Immediately following the armistice, import restrictions in various coun-

¹ An analysis of the law and regulations is given at the end of this article, p. 137.

¹ Section 25 (a) of the Federal Reserve Act.

² See late ruling in *Federal Trade Information Service*, January 18, 1921, p. 18.

tries were considered the principal obstacles to the increased sale of American goods abroad. This method of regulating the trade balance of various countries was artificial and very difficult of administration. There was a simpler way—to permit the economic law to operate by means of exchange rates. The peg was taken out of exchange. Foreign exchange had always acted before as a regulator within a narrow range, the so-called gold points. Countries other than the United States continued restrictions on the outgo of gold and the game of foreign exchange had to be played according to new rules. It became a very speculative game with great variations. The limit was off. A new element was introduced into ordinary foreign commercial transactions, that of exchange speculation.

As a check to our exports, depreciated foreign exchanges have not acted as sharply as might have been anticipated because of the tendency of our exporters and foreign importers to take risks on exchange coming back. It was logical that the downward swing of foreign exchanges should be held back as long as our government continued to make foreign loans. When it was announced early in 1920 that our government had ceased to make foreign loans, it was natural to predict an early decline in foreign exchanges in relation to the dollar and a great falling off in our exports. Statistics compiled by the Bureau of Foreign and Domestic Commerce show that our balance of exports over imports was \$2,500,000,000 for the eleven months ending November 30, 1920, as compared to over \$3,500,000,000 for the same period of the previous year. The reason why we have continued to send abroad a large excess of exports has been due, undoubtedly, to a considerable degree, to the tendency to take risks in foreign

exchange coming back. Reliable statistical approximations indicate that there is now an unpaid foreign floating indebtedness to American account of between \$3,000,000,000 and \$4,000,000,000. This is due in large part to our banks and firms which expect to get their money back in fairly short time.

Our ability to do short-term financing of our foreign trade has been greatly increased by the use of dollar acceptances and the development of an American discount market. There has also been a fair beginning in the sale of long-term foreign obligations in the United States. If our export trade is to hold up we must go even further in "holding the bag."

Forward business has undoubtedly been checked to a marked degree by the difficulty of the foreign exchange situation. Export merchants have been going slow and as safely as possible. They have asked manufacturers to grant them credit so they could grant credit to their customers. A good deal has been heard about "frozen credits." The general situation has tended to concentrate attention on constructive plans for foreign financing.

ECONOMIC QUESTIONS

The ability to extend credit to foreign countries largely depends on their ability to pay. Their raw materials have recently decreased greatly in value. American importers, fearing that the bottom was not reached, have withheld their purchases. The corresponding decline in our imports has been a contributing reason why the exchange situation has become so serious.

At a time when various foreign countries are seriously embarrassed because we are not purchasing their raw materials in normal quantities, an

emergency tariff bill has been brought forward in our Congress to put on a high tariff amounting to an embargo of certain imports. Whatever the significant feature of this bill may be, it has been taken in certain foreign countries to mean that we are attempting to close the door to the entrance of their goods. This has been a disturbing factor in the situation.

There is no way that we can get return payment for our goods to other countries except in the form of imports. If we decide to shut out imports it would be much more difficult to induce American investors to loan money abroad. We can not have the home market all to ourselves and also a big slice of the foreign markets. The future of our foreign trade is bound up to a considerable degree with our attitude on the tariff question.

There is also a certain amount of unrest from a political point of view. Certain sections of the American community feel that it is their privilege to express their opinions on policies of various other countries. However this may be viewed from a moral or political angle, it is not helpful from the standpoint of trade and financing.

A world-wide adjustment is today going on. The fall in prices is universal. This readjustment may be helpful in the long run, but it is creating special difficulties for merchants and manufacturers in various countries at the present time. International confidence will increase as economic readjustment proceeds.

The foreign trade situation is dependent upon the settlement of the international political situation. As long as there is uncertainty business will not go ahead with the confidence it otherwise would. Production in certain countries will not be increased and their buying power restored until they know how they are going to stand.

The German reparation question is one question of this character. It is hard to say how long it will take for the world political situation to be straightened out.

TYPES OF EDGE LAW ORGANIZATIONS

The regulations of the Federal Reserve Board provide that a bank organized under the Edge Law may not have outstanding acceptances and debentures at the same time, except with the approval of the Board. It seems likely that there will be one kind of Edge Law bank, which will devote itself particularly to international commercial banking by the use of bankers acceptances, and another kind of Edge Law bank, which will extend long-term credits through an issue of its debentures.

THE FIRST FEDERAL FOREIGN BANKING ASSOCIATION

The first banking institution that formed under the "Edge Law" was the First Federal Foreign Banking Association, which opened its doors at 40 Wall Street, New York, on June 21, 1920. This institution was formed by a group of manufacturers and bankers, with an initial capital of \$2,100,000 and surplus of \$105,000. Fifteen important banks in Atlantic Seaboard cities were the original stockholding member-banks and others have been added.

It was found by experience that the bankers acceptance was the security which could be readily marketed at discount rates which are practicable. The Federal Reserve Board gave its authority for making acceptances a year in length. The bulk of the business of the bank developed along these lines. The First Federal Foreign Banking Association does not discount bills miscellaneously. In the steady growth of its business, it has estab-

lished relationships with concerns of prime credit stability, negotiating regular lines of acceptance credit with these. A line once established, the exporter sends to the bank his documentary drafts, the bank handles the foreign collection of these through its organization of foreign connections, and the exporter draws a second "clean" draft on the bank, which the bank "accepts" and, if the exporter desires, markets for him. On account of the standing of the group of banks back of the First Federal Foreign Banking Association, and of its Directorate, also on account of its policies of management, this Edge Law bank's acceptances have come into steady demand in the open discount market of the country. The acceptances are eligible for rediscount or purchase at Federal Reserve banks during the last ninety days before maturity.

This Edge Law bank is, therefore, a commercial bank, serving its customers by handling all kinds of international transactions. Its specialty is, of course, the longer credits, but it handles ordinary transactions as well.

THE FEDERAL INTERNATIONAL BANKING COMPANY

The Federal International Banking Company is being formed in the Southern States, with headquarters at New Orleans, but at this writing has not begun business.

It is expected to have a capital of \$10,000,000, of which \$7,000,000 had already been subscribed on January 7. On that date it had over 1,200 stockholders, for the most part small banks in the cotton belt. The enterprise grew out of an organized purpose of financing a large export of cotton, but it has been stated that the company will conduct a general banking business, financing the movement, not only of the South's premier product, but also

that of naval stores, grain, sugar, tobacco, lumber, coal, etc., and of manufactures coming out of the Mississippi Valley through the port of New Orleans.

Several prominent New Orleans banks are represented in the leadership of the movement to found this bank, and they have been backed by committees of leading bankers in nine southern states. The prospectus of the bank does not describe the banking activities which will be undertaken, nor the methods of financing which will be adopted. It is expected, however, that it will do an international commercial banking business somewhat on the same general lines being followed by the First Federal Foreign Banking Association.

FOREIGN TRADE FINANCING CORPORATION

What is described as by far the largest and most comprehensive attempt to take advantage of the possibilities offered by the Edge Law is the Foreign Trade Financing Corporation, the preliminary organization of which is now in the hands of a committee of thirty men appointed by a national conference of bankers, business men and producers, held in Chicago, in December, 1920, for organization. If the plans of these men materialize, the corporation will have a fully paid up capital stock of \$100,000,000, giving it a maximum capacity for the issuance of debentures under the law of \$1,000,000,000, and efforts are being directed to make it as nearly national as possible in its representation of regions of the country and producing and business activities.

The Corporation has been about a year in foundation. It is the result primarily of the effort of a Committee on Commerce and Marine appointed by the American Bankers Association

over two years ago, when that Association pledged itself

to support by every means in its power the development of export trade, to encourage manufacturers to enter upon this field of distribution, and to provide, as rapidly as possible, adequate facilities for financing export operations sufficient to meet every reasonable demand that may arise.

After a long and presumably thorough study of the situation in respect to our machinery for financing our export trade, and after a thorough canvass of the banks of the country, this committee recommended the plan now being carried into effect. Their recommendations were four times approved by the American Bankers Association, and at its annual convention in October of this year the Association empowered its president to call a nation-wide conference of financial and business leaders at the earliest opportunity to consider the plan.

The meeting took place in Chicago, December 10 and 11, and was attended by some 500 bankers, manufacturers, business men and representatives of industrial, commercial and producers' organizations. Before its close it adopted a set of resolutions approving the formation of the corporation, appointed a Committee on Organization of thirty men representing every section of the country to take up its organization and subscribed \$100,000 for preliminary expenses. The Committee on Organization, which has now nearly completed its plans, is headed by John McHugh of New York, Vice-President of the Mechanics and Metals National Bank.

The reasons for establishing the Corporation and its aims and purposes were set forward in a statement by Mr. Charles H. Sabin, President of the Guaranty Trust Company, issued just prior to the Chicago meeting. Mr. Sabin said in part:

Banks, manufacturers, farmers, exporters and individuals generally from every section of the country will be asked to subscribe to the \$100,000,000 capital stock of the corporation, each Federal Reserve District subscribing an amount as nearly as possible proportionate to its resources.

It is the belief of the men who have studied and laid out the plan that such a plan as proposed is essential if the country is to hold the grip on the markets of the world that its full prosperity requires. It has come, in the financing of its export trade, to a blank wall; the only feasible means of surmounting the wall is through agencies which can gain for foreign trade the support of the American people.

Mr. McHugh has announced that an active campaign is to be started to obtain stock subscriptions. He said further that this corporation would not compete with commercial banks in their short-term financing but that it would handle long-term financing which the commercial banks can not do.

CONCLUSION

The need of adequate machinery for extending foreign credits is generally recognized. The Edge Law provides for banking machinery of the greatest safety because of federal incorporation and supervision. If, as may be expected, it is modified from time to time to meet special needs, in accordance with proved experience, it will enable a sound development of more and more extensive foreign financing. The United States today is the great creditor nation. This involves grave responsibilities. It also affords a great opportunity for world-wide expansion of American business and corresponding prosperity for this country.

ANALYSIS OF THE EDGE LAW AND REGULATIONS

1. A Federal foreign banking corporation may engage in foreign or international banking and financial operations.

2. It may engage in local banking and financial operations in foreign countries or in the dependencies or insular possessions of the United States either directly or through the agency, ownership, or control of local institutions abroad.

3. It may establish branches and agencies abroad with the approval of the Federal Reserve Board. It can not have branches in the United States. Agencies in the United States may be established for specific purposes with the approval of the Board, but not for the general business of the corporation.

4. In order to organize its foreign business "directly or indirectly through the ownership of other corporations" it is empowered to invest in American or foreign corporations organized under Section 25 of the Federal Reserve Act, or under the laws of a foreign country, or under the laws of any state, dependency, or insular possession of the United States, provided that any American corporations are not in substantial competition with it, or hold stock in other corporations that are in substantial competition with it, provided also that such corporations are not in the general business of buying or selling commodities or merchandise in the United States. The restriction against holding stock in corporations that are in substantial competition with it does not apply to foreign corporations.

5. It may not invest more than 15 per cent of its capital and surplus in any corporation engaged in banking, nor more than 10 per cent in any other corporation, without approval of the Federal Reserve Board.

6. It can not be a member of any Federal Reserve Bank.

7. It must have a capital of not less than \$2,000,000.

8. A majority of the shares of its stock must be held and owned by citizens of the United States, and every director must be a citizen. The Federal Reserve Board has formulated drastic regulations regarding this, covering affidavits for transfer of stock, etc.

9. No member of the Federal Reserve Board shall be an officer or director, but with approval of the board, directors and

officers of a member bank may serve, and "interlocking" of officers and directors between the "Edge Law" bank and corporations in which it has investments is not prohibited, subject to approval.

10. Its name is subject to approval of the Federal Reserve Board. The Board has ruled that "No corporation which issues its own bonds, debentures or other such obligations will be permitted to have the word 'Bank' as a part of its title. No corporation which has the word 'Federal' in its title will be permitted to have the word 'Bank' as part of its title."

11. It is subject to periodical examination by the Federal Reserve Board and must make reports.

12. One-tenth of the net profits of the institution must annually be carried to its surplus fund until it has a surplus equaling 20 per cent of its capital stock.

AUTHORIZED BUSINESS OF A FEDERAL FOREIGN BANK

1. To buy and sell, discount and negotiate, with or without its indorsement or guaranty, notes, drafts, checks, bills of exchange, acceptances, including bankers' acceptances, cable transfers, and other evidences of indebtedness.

2. To buy and sell, with or without its indorsement or guaranty, securities, including the obligations of the United States or of any state thereof.

3. Approval of the Federal Reserve Board is necessary before it can offer for sale any foreign securities with its indorsement or guaranty.

4. It is prohibited to trade in corporation stocks. (It may buy stocks of certain corporations for investment and later sell them. See Section 4 of above.)

5. It may issue letters of credit.

6. It may buy and sell coin, bullion and exchange.

7. It may lend and borrow money.

8. It may issue its own debentures, bonds and promissory notes under rules prescribed by the Federal Reserve Board, up to ten times its capital and surplus. It must submit each issue to the Federal Reserve Board for approval before making any issue.

9. It may receive deposits in the United

States only as they may be incidental to foreign transactions.

10. It may receive deposits outside the United States. If it has its own bonds, notes or debentures outstanding, the foreign deposits can be taken only when incidental to foreign transactions.

11. It may generally exercise such banking powers as are incidental to the powers specifically granted or as are usual, in the determination of the Federal Reserve Board, in connection with the transaction of foreign banking business.

12. It can not conduct business within the United States except as incidental to international business.

13. It can not engage in buying or selling goods or commodities in the United States, or invest in the stocks of any corporation so engaged.

FEDERAL RESERVE BOARD'S SCRUTINY INTO THE ISSUE OF THE BANK'S OWN OBLIGATIONS

The Board requires, for its approval of an issue of the bank's own obligations:

1. A statement of its condition.
2. A detailed list of the securities used as a collateral for such issues, with maturities, indorsements, guarantees, their collateral, if any.
3. In general terms, the nature of transactions on which the collateral securities were based.
4. Other data in the discretion of the Board.

For its approval of the sale by the bank, with its guarantee or indorsement, of any foreign securities:

1. The character and amount of securities proposed to be sold.
2. Their indorsement, guarantees or collateral, if any.
3. Other data in the discretion of the Board.

PROHIBITION OF ADVERTISEMENT OF BOARD'S SCRUTINY AND APPROVAL

No circular letter or other document advertising the sale of the bank's securities or of foreign securities with its guarantee shall contain any reference to the fact that the Federal Reserve Board has approved the sale.

SOURCE OF THE BANK'S WORKING FUNDS

1. Its capital and surplus.
2. It may borrow from banks or bankers for temporary purposes not exceeding one year without the approval of the Federal Reserve Board.
3. Public or private issues of its "debentures, bonds, notes, or other such obligations" with approval of Federal Reserve Board.
4. Deposits in the United States incidental to foreign business.
5. Deposits outside the United States when permitted by the conditions in the regulations, which are that if it has its own obligations outstanding the foreign deposits must only be incidental to international business.
6. Sale of foreign securities with its indorsement, subject to approval of Federal Reserve Board.

DEPOSITS

1. Can be taken in the United States only when incidental to foreign business.
2. Can be taken without special restrictions abroad when the bank is not issuing its own obligations.
3. Can be taken abroad only as incidental to international business when the bank has its own obligations outstanding.
4. Reserves of 13 per cent must be maintained on deposits in the United States. These reserves may be cash in vault, balance with district Federal Reserve Bank, or balances in a bank which is a member of the Federal Reserve System.
5. Reserves against foreign deposits must be carried in accordance with foreign local law and good practice.

ACCEPTANCES

1. The bank may accept drafts and bills of exchange growing out of transactions of the kind forming the basis of eligible bankers acceptances under Section 13, Federal Reserve Act.
2. It may accept only with approval of the Federal Reserve Board if it has outstanding any of its own notes, debentures, etc.
3. It may accept freely up to six months, and make longer acceptances with the approval of the Federal Reserve Board.

4. Acceptances for account of any individual drawer are limited in aggregate to 10 per cent of the subscribed capital and surplus of the bank, where such acceptances are not fully secured, as described in the Federal regulations. But in case of transactions representing export or import that are fully secured or guaranteed by another bank or banker of undoubted solvency, these do not count toward limitation.

5. After the aggregate of all outstanding acceptances reaches the total of subscribed capital and surplus, all acceptances in excess must be secured 50 per cent. After it reaches twice capital and surplus, all in excess of such amount must be fully secured.

6. Reserves of 15 per cent must be maintained against all acceptance obligations maturing in thirty days or less, and reserves of 3 per cent against all maturing beyond thirty days. These reserves may be in cash, balances with other banks, bankers' acceptances, or securities approved by the Federal Reserve Board.

7. The fact that an individual, firm, company, etc., has reached its borrowing limit of 10 per cent of the bank's capital and surplus does not limit its privileges of having its bills accepted unless the bank itself buys the acceptance, or the individual has failed to cover an accepted draft unpaid at maturity.

8. The liability of a customer on account of an acceptance is not counted as a liability for money borrowed, unless he fails to cover payment at maturity or the bank itself holds the acceptance.

RESERVES

1. The Regulations of the Federal Reserve Board require the carrying of 13 per cent in reserves against any deposits taken in the United States incidentally to foreign transactions.

2. The Regulations require reserves of 3 per cent against all outstanding acceptances of the bank maturing beyond thirty days. Reserves of 15 per cent are required against all outstanding acceptances that will mature within thirty days.

3. The reserve against deposits in the United States may be cash in vault, a balance at the regional Federal Reserve Bank,

or a balance with a bank which is a member of the Reserve System.

4. The reserve against outstanding acceptances must be in liquid assets of cash and/or balances with other banks, bankers acceptances and/or securities permitted by the Federal Reserve Board.

5. Reserves against foreign deposits must be such as are required by foreign local laws and by sound banking principles.

LIMITATION OF CUSTOMER'S LIABILITIES

1. In the limitation of the total liabilities of any one person, company, firm or corporation, any liabilities of the several members thereof are included as part of the count.

2. The limit for discounts or loans to one concern is 10 per cent of the capital and surplus of the bank, except with the approval of the Federal Reserve Board.

3. The limit of acceptances for any one concern is 10 per cent with the exception noted below in (6).

4. Discounts of bills of exchange drawn in good faith against actually existing values and the discount of commercial or business paper actually owned by the person negotiating the same are not counted as loans in regard to the above limitation of loans.

5. The liability of a customer on account of acceptances is not counted as a loan, unless the Association holds the acceptances or the customer has failed to cover in case an accepted bill is not met at maturity.

6. Acceptance transactions fully secured, or representing export or import of commodities and guarantee by a bank or banker of undoubted solvency, do not count in connection with the 10 per cent acceptance limitation.

LIMIT OF THE BANK'S AGGREGATE LIABILITIES

1. The limit of the Association's aggregate liabilities on account of deposits, indorsements, acceptances, notes, debentures and other such obligations, is ten times its capital and surplus.

2. Indorsements of bills of exchange with not more than six months to run, drawn and

accepted by others than the Association, do not count in determining the amount of liabilities.

3. The Federal Reserve Board may raise the above limit in its discretion.

4. The Edge Law limits the amount of the bank's own obligations (debentures,

bonds and promissory notes) outstanding at any one time to ten times its capital and surplus, without discretion of the Board to increase.

5. The Federal Reserve Board has power to put a limit on the bank's aggregate liabilities in any of the above classes.

A Comparison of English and American Export Trade Methods

By B. OLNEY HOUGH

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IN making any comparison of British and American export trade methods it will be easy to emphasize what may seem to be a certain superiority in the British. Let me say at once, however, that I am a sufficiently enthusiastic American to believe that any such apparent superiority in the trading methods or facilities of the British is more than offset by the versatility, the ingenuity and the aggressiveness of the American. I believe that our qualities will continue to win, as they have been winning for many years past. I believe that the more mature methods which may sometimes be observed in England, as well as certain better facilities which the English possess, will gradually become ours also. That we may the more quickly perfect ourselves calls for a better knowledge of our present deficiencies and perhaps a more intelligent appraisal of existing conditions and methods among our British rivals.

We shall be forced to restrict our survey of methods to characteristics of large and experienced business houses in the two nations. Not all large business concerns either in England or in the United States conduct their foreign business in the wisest or most effective ways; but certain facts stand out as more commonly to be found among

large and experienced English exporters than among similar exporters in our own country. We may consider two classes: first, manufacturers who do their own exporting; second, the professional export merchants who in both countries control an appreciably large proportion of export trade. We can refer only to impressions derived from some of the large and prominent houses in each class, which may or may not be typical, but are sufficiently numerous to make their characteristics notable.

EXPORTING BY MANUFACTURERS

To consider first the methods and policies of large manufacturers in the two countries who do their own exporting, we have to note comparatively few variations. It is difficult to generalize and impossible to determine to which side the scales incline when the practices and methods of individual concerns are reviewed. There is no such thing as an established rule of practice among individual manufacturers in England any more than in the United States. The chief contrasts which are to be noted are psychological, rather than in the actual conduct of business. So far as concerns the practical conduct of export business, it may be noted that British manufacturers no more

frequently than American attempt to develop their export trade through the employment of foreign traveling salesmen; in fact, I should say that nowadays a great many more traveling representatives of American manufacturers are to be found in foreign markets.

British manufacturers' credit terms to their foreign customers are in most cases similar to those which large American manufacturers extend; namely, sixty days, or ninety days, or sometimes four months; but possibly the practice of demanding confirmed bankers credits or otherwise "cash in advance" is commoner among American manufacturers. It should be observed that any new and previously unknown customer tendering an order to a British manufacturer will be required to pay cash, just as he will be if he opens negotiations with an American manufacturer.

On the other hand, it may be easier for a large industrial or public utility enterprise to arrange for its equipment with big British manufacturers than with American. When there is a question of an electric tramway, a hydro-electric plant, a ship-building enterprise, or something of that sort, it is supposed to be a common practice the world 'round for the company supplying the equipment to accept at least a part of this remuneration in bonds, shares of stock or long-term notes; hitherto at least it has been easier for English companies to dispose of the securities thus taken in payment for equipment, because there has been no opportunity in the United States for realizing on similar securities, and American companies when they have undertaken business of this character have usually had to go to London to unload these securities. There are scores, probably hundreds, of stocks and bonds, not only of industrial con-

cerns but also of Municipal and Government issues, which are listed on the London stock exchange, or are known as to their market values by bankers in London, which have never been heard of in New York City. However, so far as practices and methods are concerned, this sort of business is undertaken by some American companies of class and kind comparable to the British companies.

I think it may be true that large British manufacturers are more frequently liberal in their treatment of their foreign customers than are similar American manufacturers. An English company, finding an opportunity to introduce its wares in a market where that company has never before been able to do much business, is perhaps more apt than its American competitor to offer, not necessarily longer credit time, but more liberal support, including merchandise or supplies on a consignment basis. I do not mean to say by this that the same sort of thing is not done by some American houses, but it seems to me that there is a larger percentage of American manufacturers who do not look much beyond the getting of a first order and more British manufacturers who look ahead to the development of future trade. From another point of view this may happen because possibly the British have larger free capital or reserve funds at their disposal, commanding lower than usual American rates of interest, which they can invest in such consignments. I should say, however, that consignments by British manufacturers for the purpose of developing an export market are not frequent or impressive enough to make this feature of British business one sufficiently important to weigh heavily.

Something of the same disposition is evidenced also by the more general employment by British manufacturers of local native sales agents in foreign

markets working as representatives of sundry manufacturers on a commission basis. It is thoroughly characteristic of American manufacturers as a class that they look with distrust, suspicion and sometimes contempt on such foreign commission agents, when in a great many lines of business the English, like the Germans, French, Italians and most European manufacturers, seem to believe that through the employment of such commission agents they are likely to develop the largest possible volume of business in each agent's territory.

Contrasts in the psychology of British and American manufacturers are notable. It seems to be unfortunately true that laxity and a certain indifference are characteristic of many large American manufacturers, while the British are more disposed to be exact and painstaking, even if much more deliberate. In the United States we are indifferent to and gloss over a great many blunders. There are even some of our manufacturers who intentionally adopt the policy that it is cheaper in the long run to suffer occasional losses because of certain mistakes rather than to pay for uniformly and invariably careful and exact workmanship and service. The American manufacturers' customers here in our own country are rather complaisant. The manufacturer can "get away with" many things here at home which the British customer, or customers in other countries of the world, will not tolerate. The British manufacturer is therefore frequently regarded as more reliable—much more confidence is reposed in him.

The American manufacturer quite too often conveys, unconsciously, the impression to his prospective foreign customer that what he chiefly wants is that customer's money. The British, not by intention, but apparently because a little differently bred, avoids

giving that impression, although, strangely enough, the ordinary British manufacturer is not so adroit a salesman as the American.

The British manufacturer, it is trite to say, is characterized by his adherence to tradition, his refusal to change his methods, by general inflexibility. He is something like so many of his own products—solid, cumbersome, unnecessarily expensive. While the American manufacturer is quicker and more agile both in perception and in action, there are not a few examples of inflexibility of policy among very large American corporations ranking as our largest exporters. One such important American corporation was not long ago represented by a manager in one of the South American Republics who refused to deliver thirty-six dollars' worth of American goods to a ten million dollar local customer unless the money was sent to his office in advance of delivery. The president of this corporation in New York when told of the occurrence merely shrugged his shoulders and laughed, remarking that the local manager had adhered too implicitly to his general instructions. The president seemed utterly indifferent to the impression created on the large South American customer. Even today the greater success of this same corporation in that same foreign market is due to the fact that its present manager there consistently disregards the company's instructions and transgresses his authority, all without the knowledge of his American chiefs. His company's policy is not changed.

Both British and American manufacturers are human; are likely to squeal when they lose money or have to suffer, even through their own errors. But it is claimed, and I think with justice, that importers more often have cause for criticism of American manufacturers for ungraceful and undigni-

fied efforts to squirm out of a mess for which they are responsible. The less cause for complaint of this sort against British manufacturers is undoubtedly partly due to their greater deliberation and care in handling their export orders and in making and shipping their products. However, it should be recognized that by far the greatest part of the criticism so frequently leveled at American manufacturers is to be charged against inexperienced and ignorant amateurs who, because our country is much larger and much newer, abound here in greater numbers than in Great Britain and who are, because many American manufacturers are new in foreign markets, the more conspicuous targets for criticism.

EXPORT MERCHANTS

It is when we come to a consideration of the methods and facilities of the export merchants of the two countries that we are able to note many and rather important distinctions. I do not think it can be gainsaid that the British are better merchants, just as I am rather proud in thinking that we Americans excel as manufacturers. In speaking of merchants, I of course refer to those concerns in international trade which buy and sell but do not manufacture, although they may have manufacturing done for them, or may even control factories. It is only within comparatively recent years that there have been any export merchants in the United States, if we except the early days of our foreign commerce when we boasted of many merchants known all over the world. Only within about two years have those concerns in American ports, which called themselves "export commission houses," come to prefer the term "export merchants," although even today there are few such American houses who are merchants in the English sense of the word.

There are scores of true export merchants in England. When one looks over the City in London, one literally gapes with astonishment at recognizing the many names of big, rich, powerful, internationally known houses which have their own strong and influential organizations in India, in the Far East, in West and East Africa, in South Africa, Australia and in South America. These houses are not afraid to buy and sell, to put merchandise in stock in their foreign branches and resell it, to import foreign products for their own account. They buy not only English goods; they buy also American goods, German goods, and any other kinds of goods which their foreign organizations can handle profitably. These merchants are not in business for the purpose of fostering or developing British manufacturing industries; they are in business for their own account, to make as much money as possible. The foreign branches of these English merchant houses are not merely indent agencies, they are importers and merchants on their own account, as well as indentors. The parent house in London, we will say, makes its profits as an exporter and an importer; the branch houses abroad make their own profits as importers and as merchants, buying and selling locally as well as internationally, developing native industries, shipping local products not only "Home," but also to all parts of the world.

Examine the operations of some of these great English merchant concerns. Here, for example, is a London house, usually known as an "East Indian merchant" with an important organization and offices and warehouses, employing hundreds of clerks in Bombay, Calcutta, Karachi, Madras, Rangoon, Colombo and Singapore. These branch houses in India have very important interests in many different lines; per-

haps their largest business is in Manchester goods, that is, in cotton textiles. This industry may perhaps occupy the whole attention of the Calcutta house, but the Bombay house may have other and diverse interests as importers—it may not only have a large business in textiles, but it may also handle iron and steel products, rosin, bicarbonate of soda, umbrellas, stylographic pens in one hundred gross lots for the native trade, innumerable different commodities suitable for that market. It imports its goods not only from England but also from all parts of the world. It will buy wire nails from the United States, from England, or from Belgium, as price offers may make desirable. It imports almonds from the Islands of the Greek Archipelago; it buys men's undershirts in Barcelona, because the cheapest things for the native Indian trade are found there. This Bombay house ships skins to the United States, jute to Dundee, buys dates from the Persian Gulf, and ships them to various parts of the world.

The other Indian branches of this large English merchant house are similarly occupied and all of them are also interested in local industries. They furnish part of the capital and assume the direction of mills of various sorts, tea and rubber plantations, exploit teak forests in the Shan States, etc.; furthermore, although known as an East Indian merchant, this same house has branches in Portugal and is largely interested in the wine business of that country, while in years gone by it even had important investments in copper mines in the United States.

The house just described is one of many. It has large and important competitors in India who also rank in England as East Indian merchants. In Bombay and Calcutta you will find branches of twenty or thirty English merchant houses comparable in some

degree to the house described. So also in China there are numbers of examples of rich and powerful branches of British merchants.

As a further illustration of the activities of merchants of this description, let us take another example, a house which has three or four branches in Japan which import machinery for industrial enterprises, rails, and railway equipment, piece goods, all kinds of commodities for which a market can be found. It exports Japanese products. Furthermore, it has had very important interests in the camphor industry of Formosa, in promoting and developing Japanese coal mines, and it was largely responsible for the development of the petroleum fields of the Dutch East Indies. There was a time when it took out to Sumatra forty-two expert American well drillers from Pennsylvania.

Similarly diverse activities characterize British merchants all around the world, whether developing cocoanut oil on the West Coast of Africa, a sugar industry in Fiji, or doing business in Manchester cottons, Bradford woolens, or Nottingham laces in South America, promoting a cement works here, a shipyard there, operating coastwise vessels, or sometimes long chains of twenty or thirty retail department stores.

Another class of British merchants do not operate as merchants under their own names in foreign countries, but carry favored local customers in various markets for heavy lines of credit. One house may, for example, put out £50,000 in South Africa; one customer receives a limit of £5,000; another customer a limit of £10,000; interest at a liberal rate as paid. The major part of purchases of the sundry clients is effected through the London merchant who profits by the usual buying commission, charges shipments against the account of the South African customer who makes remittances

to keep his indebtedness down to the agreed upon limit.

Contrast organizations of such descriptions with the operations of the two thousand or more professional American exporters—call them commission houses or merchants, as you please. Personally, I doubt whether there are more than eight or ten American concerns which are really merchants; perhaps only one or two whose activities are in any degree to be compared to the activities of such British merchants as I have just mentioned. Our American exporters, with very rare exceptions, do not as a rule buy a dollar's worth of merchandise for their own account. They merely execute orders which their customers in foreign countries send to them for execution. The foreign branches of American export houses are not importers, are not merchants, with few exceptions are purely indent agents, order takers, or sales agents for special articles. Most of our American exporters seem afraid to take the risk of operating as merchants; perhaps comparatively few of them are heavily enough capitalized to work in that fashion. The import operations of those American houses, which may by misuse of the language be called merchants, are usually on a commission basis only, and when they do buy for their own account seem usually to be purely speculative, as from time to time the market here may tempt.

More than this, our American export merchants—to call them by that term to which they are not entitled—are for the most part, unhappily, highly provincial, seldom operating in any except strictly American products. Here is to be observed another fallacy in the arguments of so many who write about the expansion of American foreign trade; namely, the claim that we must have American merchants in foreign

countries to sell American goods. True, American merchants in Brazil might naturally prefer American goods, but they would not be highly successful unless, like British merchants in Brazil, they handled goods of no matter what origin, whatever merchandise they could buy and sell profitably in that market. The British are pleased with the fullest possible success of British houses all around the world no matter whether those houses handle solely or even chiefly British goods. The greater the success with foreign goods of a British house in Brazil or in China, the greater will probably also be its success with English goods; in any event the greater is the prestige of British commerce and the more do profits of the foreign branch enrich the home office.

Some years ago there came to my attention a case of an American exporter who had a branch office in Australia operating on an indent basis and who also had his own agent in London. The Australian branch and the London agent saw opportunities of working together and doing business in Australia in British-made goods, but American headquarters peremptorily refused permission to do business in any other than American goods. A branch of an American export house in China six months ago boasted loudly of its success in securing an order for four locomotives for a Chinese railway. A British merchant in the same Chinese city said nothing about it, but by the same mail transmitted orders for twenty locomotives to American manufacturers.

Both British and American export merchants do business as indentors on a commission basis. We shall have to confess that foreign importers trust the British exporter far more than they trust the American, and some of them prefer to pay 5 per cent commission to the British exporter instead of 2½ per

cent to an American exporter. The British characteristics of care, attention and accuracy outweigh the lower commission of the American house, to say nothing about the irritating list of petties which the English exporters so often tack on to their invoices, which the American usually waives. British exporters and manufacturers seem to work together with more mutual confidence than do the two classes in the United States. British manufacturers seem to have more confidence in the exporter and value him rather more highly, while the exporter feels reasonably sure that the manufacturer will supply exactly the right kind of goods in the right way.

Furthermore, the British export merchant is not so eager to seek, indeed, to demand, special confidential discounts for his own use from the manufacturer. British exporters establishing branch offices in New York have been known to protest energetically against what they have considered the dishonest practices of American exporters in demanding such discounts from our manufacturers, when they are supposed to give every advantage to their foreign customers who entrust them with their orders. This is one of the reasons why in traveling around the world it is so often found that importers, even when they criticize British exporters, yet regard them as more square and honest than American exporters.

FACILITIES OF ENGLISH AND AMERICAN HOUSES COMPARED

British export merchants undeniably possess certain advantages and facilities which are not yet ours; for example, they have heretofore had an advantage or have been more interested than Americans in seeking out and developing advantages in shipping facilities. I am not now referring to the English merchant marine as contrasted with

the American merchant marine. I mean that there have been more ships in British harbors loading for more different parts of the world, more liners and tramps soliciting cargo. This has sometimes made it possible for British shippers of crude commodities to make exceptionally advantageous arrangements for freights. I have seen Portland cement shipped from England to Egypt at almost nothing per ton, chiefly because a ship needed ballast.

The banking facilities of English exporters as contrasted with our American facilities have been generally exaggerated, with the sole exception of the London discount market. Bankers in London have offered as a rule no better facilities in financing than have been available to New York exporters. It can not be claimed that the branches of certain large British banking institutions in New York have not offered just as good facilities to our exporters as the offices of the same bank in London offered to British exporters. The sole and only distinction that I know of, so far as banking practises and indulgences are concerned in the routine handling of export transactions, has been that the more intimate acquaintance with exporting and with foreign exchange on the part of the British has occasionally developed an ingenious operation devised to help a comparatively small but worthy exporter, whereas in our own country bankers have not always shown the same anxiety to devise means of helping.

The London discount market has, however, offered a very genuine and a very important help to the British exporter. We are now trying to promote a discount market here and progress is certainly being made; however, so far as our export trade is concerned, there are many difficulties in the way of our taking as full an advantage as the British of such a discount market as we

may develop. Ordinarily, a New York exporter's transactions are covered by his drafts on his foreign customers, the exporter gives an acceptance and a bank lends its endorsement in order that the acceptance may be discounted. The operation is a somewhat complicated one in general exports of manufactured goods as contrasted with bulk shipments of cotton or grain. For example, in the case of a merchant making twenty different shipments by one vessel to as many different customers in Brazil, the draft on one customer being at sight, on other customers at thirty days, sixty days, or ninety days and all for varying amounts, some of them perhaps small. British exporters, with their own organizations in foreign markets shipping to their own houses, finance for their own people. Take, for example, such a great East Indian house in London as that which I have described; millions of dollars' worth of Manchester goods are purchased every year. The London house finances these large invoices, accepts, in conjunction with the Hongkong Bank or the Chartered Bank; the London discount market absorbs this paper; and the export merchant used to secure—before the war—an annual interest charge of about $8\frac{1}{2}$ per cent instead of our American 6 per cent. The London house refinanced according to circumstances on its own branches in India, often merely by debit and credit entries, since the branches in India were shipping Indian produce, and since the financial interests of both the branches and the parent house were identical.

Investments in foreign securities are being strenuously urged upon Americans, very often as a means of developing our export trade. Of course investments in any kind of foreign securities may help the present critical condition in the foreign exchanges through the export of funds in payment

for such securities in addition to our remittances to cover our imports, all going to offset our tremendous export figures; but the present are abnormal times; it is not always necessary to correct adverse or favorable rates of exchange, and there is much more to be made of American investments in foreign securities in the way of developing American export trade than most people seem to realize. The late Willard Straight was one of the few Americans who differentiated sharply between American investments and saw clearly the kind of investment necessary for the expansion of our foreign commerce. We have many offerings to the American public of foreign government and municipal bonds; occasionally small offerings of the bonds or shares of foreign railways or public utilities. Most of our financiers, above all our banks, which are nowadays giving so much attention to their bond departments, emphasize only the desirability of investments in bonds and mortgages. We are neglecting, if not forgetting, the essential, basic theory of such investments as a help to export trade. The ownership of bonds and mortgages gives no control over the properties; sufficiently heavy investments in shares do give such control.

The English have profited in their export trade from their foreign investments because they control the enterprises which their money finances. If a railway is to be built in Iceland, the money will be raised in London, the Chairman will be an Earl or a Baronet, the board of directors will meet and the financial offices will be located in London; the purchasing agent as well as the constructing and operating engineers will be Englishmen, and the equipment and supplies of that railway will naturally drift, so far as possible, to those English suppliers known to the engineers and the purchasing agent. They

will not be averse to buying American supplies if they can be persuaded that such supplies are desirable and suitable, but their wholly human disposition will be to buy their goods in the market from which their enterprise is financed and from suppliers with whom and with whose products they are best acquainted. We may buy up all the mortgages and bonds of a railway or any other company and it will not help us in the least so far as exporting merchandise to that company, its associates or its neighbors is concerned.

Even our present Edge Act, professedly designed to assist in the development of our export trade through the creation of agencies able to give us more adequate export credit facilities, specifically prohibits—as it now stands—banks organized under that Act from dealing in the shares of foreign corporations. Edge Act banks can only deal in bonds and mortgages, and whatever foreign securities the Edge Act banks may handle under the provisions of the present law will not directly affect one cent's worth of export trade for the United States. It is only through the actual control of a property that its policy can be dictated.

The one great lesson for us to learn, so far as I see it, in reviewing British methods, is the need of more thorough

training of American business men for foreign work, and for a longer, more practical and more comprehensive apprenticeship of our young men in export work. The development of the organizations of American merchants in foreign countries will very likely be promoted as time passes, knowledge increases, and funds attracted to this sort of development become more easy. The more thorough training for foreign trade is a serious and imperative necessity. I am not now referring to courses in foreign trade, which fortunately are becoming more and more common in our universities and even in our high schools. They are thoroughly desirable so far as they go. Supplementing them there must be a longer and more practical apprenticeship in the actual conduct of commerce in its day by day routine and many different aspects. We work rather rapidly in the United States; too fast by far. We have extended our characteristic half-baked efforts to our export trade expansion. All sorts and conditions of young men have been attracted to the export "game," as they lightly term it, and men of all sorts and conditions have been sent abroad to represent American interests, more often than not with no or little adequate training. Real and great success is not thus to be obtained.

Difficulties of Financing Export Trade

By FRANCIS H. SISSON

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THERE is perhaps not a very clear understanding by the public in general of the functions and the limitations of service of the international banks in relation to our export trade. This is plainly indicated by the suggestions that are now made by certain un-

informed critics that in some way these banks are not "supporting" this trade adequately.

It seems that such a charge ignores the primary fact of the relation of banks to our foreign commerce. Their essential interest and profit must al-

ways lie in rendering the utmost assistance to overseas trade that it is possible for them to give—safely, and within the limitations imposed by law upon their operations. The word “safely” is of paramount significance. This factor of safety must receive the first consideration by banking officers, if they are to be true to their obligations as guardians of the property of others.

The funds which are the basis of any aid to commerce that banks may give are the demand deposits of their clients, and this demand quality of commercial banking funds at once fixes very definite limits to the use that may be made of them. It positively excludes their employment in any large amount for loans of a term longer than three or four months. Hence, the utmost care must be exercised to assure that advances made upon the basis of commercial transactions with foreign countries shall have more than a reasonable probability of liquidation within the term for which these loans are agreed upon.

The most frequent form of aid extended to export trade by a commercial bank is through the discount of drafts covering sales of goods abroad, these drafts maturing at a definite date—usually not exceeding four months from the time when they are discounted. The collateral held by banks to protect such loans usually consists of merchandise in transit to the foreign buyer, held under the control of the lending bank through possession of bills of lading and other documents by its trusted agents, either in its own branch banks abroad or in correspondent banks with which it holds close, continuing relations. When all goes smoothly, these drafts are paid, as they fall due, to the foreign agents of the American bank and the loan is liquidated by the transfer of the proceeds to the lending company, or by a credit through the open

accounts which international banks throughout the world maintain with one another.

Thus, an active bank at any given date may have hundreds, or even thousands, of outstanding loans on foreign trade transactions, some of which are due and paid every day and, in consequence, afford a renewed supply of funds for new transactions. When times are good and there are no clouds upon the horizon of trade, this system of revolving credit functions uninterruptedly and to the advantage of all concerned, and we hear little complaint of indifference on the part of banks to demands. It is when the movement we have described is checked—as it is today—that doubt rises in some minds as to whether the banks are doing their full duty in the situation.

As a matter of fact, however, it is the bank that first of all feels the shock of any stoppage to the normal functioning of this credit system. When drafts are not paid by foreign buyers, the bank at once finds itself holding an overdue and unpaid loan and also is burdened with the responsibility for collateral, which it must handle to the best possible advantage of the American shipper and to the protection of its own equity in it. The seller, who has discounted his draft, is already in possession of his money, although it is true that he is liable to the bank in the event that his draft is unpaid. He is also liable if the proceeds of collateral sold do not fully cover the amount of the loan involved. When, as today, in markets throughout the whole world there is cancellation of contracts, refusal to accept shipments or to pay drafts, the immediate result is to tie up banking funds in very large amounts and to burden the banks with the problems incident to the care and disposal of shipments upon which funds have been advanced.

How seriously this may cripple their ability to continue their normal volume of loans to their American clients should be recognized readily enough. When, in addition to cancellations and protest of drafts, there are added to the situation the factors of falling prices, depreciated exchange and flooded markets, it is clear that the difficulties confronting the banks are real enough. Moratoria and embargoes exist in certain countries and are threatened in others. Forced sales of shipments are extremely difficult—impossible in many cases. Banks are handicapped in their power to serve their clients to the degree that their resources are involved in those transactions in which prompt liquidation has failed of consummation.

Sound business principles must preclude the officers of any bank from extending their commitments unduly when such international trade conditions arise. They must keep their house in order, and, until these temporarily non-liquid loans are brought into liquid form again, the utmost care must be exercised lest the rights of the demand depositors should be jeopardized. A commercial bank must recognize its obligation to avoid, if possible, any loan transactions that will involve it for undetermined periods of time. Long-term loans are the affair of the investment banker and are not for the international commercial bank to handle. This distinction should be fully comprehended by the public and, when understood, will serve to refute the criticisms to which we have referred.

The present world situation is admittedly a difficult one. The banks are as much concerned as any branch of business in finding a solution for these problems and are committed by self-interest to the support of any policies—safe policies—that will aid to bring back better conditions. All that should be

asked of the banks is that they “carry on” with prudence and contribute every particle of effort, in the way of expert technical knowledge to the encouragement of steadfast confidence, that they can offer under trying conditions. It would not help at all to adopt unsound banking practices during a term of stress. It would merely add to any dangers that already exist.

The world today looks to the United States as the one solidly fortified nation in the realm of finance and trade. No other country has to a like extent the great power needed to meet the present emergencies. This fact is receiving general and a constantly extending degree of recognition in our own country. We have come to realize thoroughly that Europe must have food, raw materials and machinery before she can hope to return to normal health in finance and trade, and that she must have a considerable time extended to her before she can pay for these products. We recognize that this implies thrift and the saving of investment funds in large amounts here in order that they may be available in rehabilitating the industries of Europe.

Many now see that depreciated exchange can be restored only through Europe's resumption of normal production and exporting. We know that great markets for our own raw products are now stagnant because of idle factories in France, Germany, Italy and elsewhere. Furthermore, markets in South America and the Orient, which would otherwise be absorbing our manufactured products continuously, are stricken for the same reason. Their products, wheat and wool, hides and skins, and metals, which normally are in urgent demand in Europe, move but slowly. The whole intricate machinery of world trade is clogged by the prostration of economic life in the countries so seriously devastated by the war.

This economic life must be quickened promptly.

Since the armistice, the minds of men in all parts of our country have had time to comprehend the course of events and the meaning and needs of the present critical period. As with the war itself, full realization has been slow in spreading among the people. It is by no means universal now. Leaders do exist, however, and others, with the international outlook, will no doubt be effective in stimulating the action that seems to be required. There are evidences of clear recognition of the demands of the situation in many quarters.

In response to the growing demands for adequate means to meet the situation, Congress has revived the War Finance Corporation, and it is hoped that this action may be efficacious. But the Federal Reserve Board, in a recent analysis of the foreign and domestic credit situation, stated:

It is not only desirable but practically essential that satisfactory arrangements be made for the financing of a legitimate and reasonable export trade, such action facilitating, as it necessarily will, the restoration of industry abroad and, consequently, the eventual liquidation of the claims which we now hold upon foreign countries. Such long-term advances, however, should be financed through the agency of actual investment credits provided by the placing of bonds or other evidences of indebtedness in the hands of individuals or institutions who are in position to supply the funds that are needed to "carry" these obligations until their foreign recipients are able to settle them.

In the South, the cotton interests are preparing to sell their product abroad and to finance sales by long-term loans through corporations organized under the new Edge Act. Most significant of all is the recent meeting in Chicago, where a powerful group of bankers decided to organize a one hun-

dred million dollar corporation under the same Act. This proposed corporation is to be devoted specifically to promoting foreign trade by means of long-term investment loans. Large as will be the corporation that is planned, and its resources would imply operations involving more than one billion dollars in credits, it will not be too large for the urgent present demands.

The method by which credits will be established is simple enough, although the problem of selecting acceptable collateral abroad for loans is one that will require high technical skill and sound judgment. Such loans as may be made will be in the form of dollar credits in American banks, available to pay for goods exported to the borrowers.

The question as to how far the investing public will absorb the debentures based upon this collateral of foreign securities and other properties still remains to be answered. The answer will depend largely upon how thoroughly the American people understand that their own prosperity is involved in such a movement. It is encouraging to note that the subscriptions to the New Orleans Edge Law corporation have been promptly made and are ample in amount.

The strength of the banking interests behind the Chicago plan should inspire confidence. When the public understands that the proposed investments abroad will, in effect, act as a priming to force into full action the now halting machinery of world trade, immediately creating markets for stocks that are now moving slowly or not at all, there should be a country-wide response when subscriptions for Edge Law debentures are offered. Every class—merchant, manufacturer, farmer and laborer—should be interested.

This method of aiding Europe partakes in no way of the character of

charity. This form of help is sane, self-respecting and businesslike, and is apparently the most effective way by which manufacturers and merchants

abroad may obtain the equipment and supplies that will permit them, in due time to liquidate their debts here in full.

Improvements in British Empire Trade Information— The Imperial Statistical Conference

By R. H. COATS

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AN outline of recent improvements in British Empire trade information may take as a starting-point the Dominions Royal Commission, appointed in 1912. The Commission had its origin in a resolution of the Imperial Conference of the previous year, its instructions being to report comprehensively on the natural resources and production of the Empire, with special reference to the possible improvement and extension of Inter-Imperial trade. It consisted of eleven members, six representing the United Kingdom and one each, Canada, Australia, New Zealand, the Union of South Africa and Newfoundland.

A very searching investigation extending over a period of five years and embracing all sections of the Empire was conducted by the Commission. Its report, which was in several volumes, covered a great variety of subjects of industrial and commercial interest. Certain of the volumes dealt in a general way with specific Dominions; others assembled the data regarding raw materials, trade, transportation and the like for the Empire as a whole. Incidentally, a considerable impetus to statistical investigation was given in the preparation of memoranda for the Commission's use; in fact, when the Commission finally disbanded, which was at a date when the war was absorbing all of the available energy of the Dominions, the immediately im-

portant result was the comprehensive array of information which it had assembled against the return of normal conditions.

The perpetuation of these materials and the keeping of them up to date was naturally one of the prominent recommendations of the Commission's report. In its travels throughout the Empire, a feature strongly borne in upon the Commission was the incomparability of the official statistics of the several Dominions, as well as the discrepancies and omissions which characterized specific fields.

The situation was set forth in considerable detail in the report, and the suggestion made that there should be summoned forthwith a Conference of the official statisticians of the Empire, with a view to the improvement of existing conditions where possible, and the drawing up of a scheme of statistical coördination for the Empire as a whole. The rider was added that a central statistical bureau for the Empire should be set up, with a view to the maintenance of such scheme of coördination as might be agreed upon, and for the periodical collection, compilation and dissemination of comparative data of economic interest to the Empire.

The second recent step forward in the improvement of British Empire trade information may be considered as the meeting in London during the winter of 1920 of the conference of stat-

isticians in pursuance of the above recommendation, the pressure of the War having prevented earlier action. The conference, which met under the auspices of the United Kingdom Board of Trade, was in every way a success. It sat during a period of six weeks, in which the entire field of official statistics was passed in review and uniform principles laid down. In the forefront of the agenda was placed the proposal of a central statistical bureau. This, in the opinion of the Conference, was entirely feasible, and a constitution and working policy was drafted in some detail. The Bureau, it was recommended, should be established in London, under the Prime Minister of the United Kingdom (as *ex officio* President of the Imperial Conference) and under the general control of a Council to be nominated by the several governments assenting. For immediate supervision a director with an adequate number of professional chiefs of divisions was suggested—also an advisory committee of twelve, to be nominated by the Council. Arrangements for an effective liaison between the Bureau and the various Dominions, including an interchange of staffs, were outlined.

The Bureau, it was decided, might cover but would not be limited to the following subjects: demography, labor, industrial and general social statistics, production, commerce, transport and communication, finance, and public administration. With regard to working methods, the Bureau would secure all the official reports prepared within the Empire, in accordance with the new scheme, as well as special statistical data, its publications to consist of (1) an annual statistical review of the Empire as a whole, (2) annual abstracts of the more important Empire statistics, and (3) periodical monographs on trade, production, communications, labor and the like.

Appended to this outline of a permanent central organization, a series of recommendations on procedure for general adoption in the more important statistical fields were made. From the present standpoint those relating to trade statistics will be of primary interest.

At the outset it was recognized that differences of conditions exist in the several countries which make it impossible to achieve complete uniformity. Nevertheless, on nine points resolutions were adopted which are calculated to achieve a large degree of practical comparability. These covered, respectively, uniformity in the statistical year and in the mode of valuation of imports and exports; more intensive study of the difficult problem involved in tracing the origin of imports and the ultimate destination of exports; uniformity in the list of countries to be distinguished; the clearer demarcation of transit and trans-shipment trade; improved treatment of imports and exports by parcel post and of government stores; and, doubtless most important of all, uniformity in the classification of imports and exports. On this final subject a word in more detail may be added.

It was admitted that no single scheme could usefully be recommended for adoption in all parts of the Empire. The items of the trade classification, for instance, are to a certain extent determined by tariff exigencies,—though even here a minimum standard may be set up. In the matter of grouping the items, however, uniformity in principle is obtainable. The conclusion reached at the Conference was that the items would require to be arranged not in one, but in several categories, if accurate and comparable aggregations of trade statistics were desired. For instance, classification might be based on (1) the component materials of commodities, (2) their pur-

pose and use, and (3) their origin with regard to the primary or extractive industries,—the three points of view most frequently called for in practice. The purpose of this recommendation was to escape in so far as possible the necessity—so constantly met in classification schemes which embrace inconsistent points of view—of making one group-total comprehensive at the expense of another. For instance, a scheme which contains such group-headings as “leather” and “wearing apparel” within the same category can not allocate “boots and shoes” without an inaccuracy under one or the other of these headings.

It may be added that in 1919 the Dominion Bureau of Statistics of Canada put into effect a classification scheme based on the principle above outlined. The items were edited and their number extended in consultation with the leading producers and traders of the country. For the publication of these items in the official monthly and annual reports, the “component material” principle is followed. At the same time, distinct schemes according to “purpose” and “origin”

respectively have been drawn up, and are used in the Bureau for the making of additional group analyses, which are published in connection with the main tables. While the method does not entirely eliminate the necessity for explanatory notes, it reduces the latter to a minimum and to a degree that is much more difficult if only a single category is employed. The scheme of main headings now used in Canada is given below as of general interest in the matter.

The British Empire Statistical Bureau is of course a project of the future and its establishment is entirely dependent upon the action of the several independent governments embraced within the Empire. Nevertheless, much benefit of a practical kind has been achieved from the interchange of views at first hand between the officials by whom the concrete problems of statistics are worked out in the several Dominions. Already much silent coördination and coöperation have been put in train, and though definite arrangements to maintain the contact thus established are desirable, the immediate results are greater than appear on the surface.

COMMODITY CLASSIFICATIONS USED IN CANADIAN TRADE STATISTICS

I. CLASSIFICATION BY CHIEF COMPONENT MATERIAL:

1. Vegetable products (except wood, fibres and chemicals). (65 sub-groups)
2. Animals and their products (except fibres and chemicals). (30 sub-groups)
3. Fibres, Textiles and Textile products. (45 sub-groups)
4. Wood, wood products and paper. (31 sub-groups)
5. Iron and its products. (41 sub-groups)
6. Non-ferrous metals and their products. (14 sub-groups)
7. Non-Metallic minerals and their products. (24 sub-groups)

8. Chemical and allied products.

(47 sub-groups)

9. All other commodities.

(15 sub-groups)

II. CLASSIFICATION ACCORDING TO PURPOSE:

1. Abrasives.
2. Arms, Military Equipment and Explosives. (5 sub-groups)
3. Beverages and infusions. (11 sub-groups)
4. Books, Stationery and Educational Supplies. (8 sub-groups)
5. Clothing. (10 sub-groups)

6. Containers, Wrapping and Packing Materials.
(5 sub-groups)
7. Drugs, Medical and Dental Equipment and Supplies.
(6 sub-groups)
8. Foods.
(9 sub-groups)
9. Household Equipment.
(12 sub-groups)
10. Industrial Equipment.
(19 sub-groups)
11. Jewellery and Timepieces.
(2 sub-groups)
12. Light, Heat and Power: Equipment and Supplies.
(5 sub-groups)
13. Producers' Materials.
(41 sub-groups)
14. Recreation Equipment and Supplies.
(4 sub-groups)

15. Telegraph and telephone.
16. Tobacco and Smokers' Supplies.
17. Vehicles.
(7 sub-groups)

III. CLASSIFICATION ACCORDING TO ORIGIN:

1. Articles of Agricultural Origin.
(a) Vegetable
(b) Animal.
2. Articles of Marine Origin.
3. Articles of Forest Origin.
4. Articles of Mineral Origin.
5. Articles of Mixed Origin.

Note: Under the above five headings commodities are distinguished as (a) Raw Materials (b) Partly Manufactured Articles and (c) Fully Manufactured Articles, the arrangement of the first classification schedule (component materials) as to sub-heads being followed, in so far as possible.

The League of Nations and International Trade Statistics

By A. LOVEDAY

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SOON after the formation of the preliminary organizing skeleton of the Secretariat of the League of Nations, it was decided to hold an informal meeting of statisticians in order to consider in a general manner the way in which the new League organization could best assist in the development of international coöperation in statistics and to discuss the relation of the League with the various existing international institutions which dealt with this subject.

There were present at this meeting representatives of the two existing international institutions which were actually at the time publishing comparative statistics monthly—the Institute of Agriculture at Rome and the Bureau of the International Statistical Institute at the Hague.

The former of these two bodies, which has a membership of sixty adhering states, obtains its data directly from the various Governments and publishes, as is well known, an agricultural year book and a monthly bulletin of agricultural and commercial statistics. Perhaps the most important statistical function performed by this institution consists of the estimates of crops in the northern and southern hemispheres, but figures are also published concerning the movement of these crops, freight rates, prices, etc., and the Bureau has proved of considerable utility in suggesting to the various national departments suitable ways in which the existing statistical methods may be changed in order to ensure greater homogeneity and comparability of the data.

The International Institute of Statistics, on the other hand, is mainly a private association, which was founded in 1885. It set up a permanent office in 1913 for the collection, study, co-ordination and publication of statistical material, and to this permanent office certain governments make subventions.

There are, however, in existence, in addition to these two bodies, various other international bureaus likewise concerned with statistics; in particular, the International Bureau of Commercial Statistics founded in 1913 by a Convention signed by twenty-nine states. According to this Convention, the signatory states agreed to submit to the Bureau, which under the terms of the Convention was set up in Brussels, their commercial statistics drawn up according to an agreed classification; and it was proposed that the Bureau should devote its labors to publishing the statistics thus received in a form which would make the trade position of each country easily comparable.

Later, in 1919, there was set up, at a meeting of the General Council of the *Conférence Parlementaire Internationale du Commerce*, an international Institute of Commerce, likewise with its headquarters in Brussels, for the purpose of coördinating and publishing information with regard to commercial statistics and legislation.

It became clear at the preliminary conference, to which allusion has already been made, held in August, 1919, that there was a danger of the activities of these various bodies, which had either already begun or intended to begin the publication of international statistics, overlapping, and that, therefore, if the League desired to utilize their services or could assist them in the performance of their tasks, it was necessary, not only to consider the coördination of the statistics published

by the various Governments of the world, but also the delimitation of the functions of these bodies. The meeting held in London, being of an informal nature, did not consider it desirable to pass any definite resolutions, but suggested, *inter alia*, that it appeared desirable

that a committee should be appointed to consider the definite distribution of statistical work between the various bodies engaged with or proposed to be engaged with the League of Nations and the institution of a central advisory committee on statistics to meet normally at the seat of the League of Nations.

M. Destrée, the representative of Belgium, accordingly suggested at a meeting of the Council of the League of Nations held in Rome on May 19, that an international statistical committee should be appointed, stating in his remarks introducing the motion that:

International statistics are dealt with by certain international commissions and bureaus, under international conventions. Under Article XXIV of the Covenant, any international commission or bureau which may be constituted to deal with such questions is to be placed under the direction of the League of Nations; and if the parties concerned agree, this may also be the case with international commissions and bureaus which are already in existence.

A Conference of statistical experts, which met in London last year through the initiative of the Secretary-General of the League of Nations, expressed the unanimous opinion that it would be of great advantage if all the work in the statistical field, whose accomplishment is a necessity in the political life of nations, could be organized on a uniform and centralized system. Any attempt, however, to realize this desirable object raises problems which can not be solved without the help of experts, both statisticians and persons who make use of statistics.

I propose that, to this end, a Commission be set up on the following lines. The In-

ternational Institute of Statistics should be invited to nominate two representatives and the following bodies one representative each: International Labour Office; International Institute of Agriculture; International Bureau of Commercial Statistics (Brussels). This Committee should be completed by the addition of the following persons, whose work in the past points beyond question to such a choice: M. Lucien March, Mr. R. H. Coats, M. de Elola, M. Luigi Bodio. The Commission thus formed should have power to add to its number by coöpting other eminent statisticians whose collaboration it might desire. At the same time, it should use every effort to keep its numbers as low as possible.

The Council agreed to this proposal and finally set up an international statistical commission on which The International Labour Office at Geneva, The International Institute of Statistics, The International Institute of Agriculture, The International Bureau of Commercial Statistics and The International Institute of Commerce, were represented, and on which M. Lucien March, the Director of the General Statistical Bureau of France; Mr. R. H. Coats, M. de Elola and Mr. A. W. Flux, who held similar positions in Canada, Spain and the United Kingdom, respectively, and also the late Senator Luigi Bodio and M. Naotos Marumo of the Japanese Embassy, were asked to serve.

This Commission accordingly met on October 11, 1920, in Paris, its terms of reference being:

1. To advise the Council of the League of Nations with reference to:
 - (a) the extent to which the work of obtaining, collating, examining and publishing International Statistics is already carried out by International Bodies.
 - (b) the extent to which the published and unpublished work undertaken by these Bodies requires or will require further coördination.
2. To consider and report upon the desirability of instituting a central advisory council on statistics for the purpose of advising the League of Nations concerning the coördination and standardization of statistics and, further, to report upon the constitution and duties of such a Council, should its institution be recommended.
3. To consider and report upon the relationship of the existing International Statistical Institutions to the League of Nations.
4. To consider in what directions International Statistics require further development and in what manner the League of Nations may profitably assist such development.

What action the Council will ultimately take as a result of the deliberations of this Commission, it is at present too early to foresee.

In the meantime, however, it was necessary for the Secretariat of the League of Nations to proceed with the preparation of such statistics as the administrative work which their duties involved demanded, and, when it was decided in the Spring of 1920 to call an International Financial Conference to discuss the critical situation then arising in Europe, it was, at the same time, agreed to circularize the States invited and request them to supply certain statistical data with reference to their economic and financial situation. The results of the information thus collected were published just before the Brussels Conference in three volumes, the first of which, dealing with currency, gave rates of exchange of the more important countries on New York, discount rates, gold reserves and circulation and a comparison between the internal and external purchasing power of those countries for which wholesale index numbers were obtainable.

The second of these pamphlets gave the Budgets for 1919 and the budget estimates for the current year, National debt figures divided into funded and

unfunded, domestic and foreign, together with figures of loans granted by one government to another.

The third consisted of a collection of the statistics upon trade in values for all the most important countries of the world, yearly figures for the period 1918-1919 and monthly figures from January, 1919, being given. Analytical tables of the principal articles of export and import and the principal countries of origin and destination for the countries receiving the questionnaires were also included and a comparison made, where possible, of the figures for 1919 with those for 1913.

These three pamphlets were prefaced by more or less tentative but, at the same time, suggestive introductions, which attracted a considerable amount of attention at the Brussels' Conference, the summary tables contained in these introductions rendering it possible, as

it had not been possible before, to see at a glance the relative position of the various countries.

It is stated that it is proposed to republish these three pamphlets with additional data obtained as a result of a second questionnaire issued to the Governments and in the light of the supplementary information submitted in the statements of the various delegations at the Brussels' Conference, as volumes supplementary to those containing the full reports of that Conference. It is believed that the work which has thus been begun will not be allowed to drop, although its form may be modified in the light of the experience which has been obtained. What the future activities of the League will be in connection with the more general problem of the collection, coördination and publication of international statistics, it is not possible at this date to foresee.

Equality of Treatment Among Nations and a Bargaining Tariff

By WILLIAM S. CULBERTSON

Washington, D. C.

TWO general policies are distinguishable in the commercial bargaining of nations. The first is the policy of negotiating for special and exclusive concessions which are not shared by third nations; the other aims at the establishment and maintenance of equality of treatment. The first proceeds on the idea that a nation may grant and seek favors to its own advantage regardless of the effect on its neighbors; the other is based on the proposition that every nation is entitled to equal treatment and that none is entitled to anything more. So basic is the distinction between these two policies, and so confused have been discussions of commercial policy involving them, that a discussion and illustration of them at some length seems desirable.

RECIPROCITY IN THE UNITED STATES— A FORM OF SPECIAL BARGAINING

We can find no better examples of special bargaining for preferential and exclusive advantages than those furnished by our own history, although cases among other nations are not infrequent. The term "reciprocity," particularly in the United States, has acquired a special meaning. When we speak of a "reciprocity agreement" we mean a national exchange of concessions with the understanding that these concessions are not to be extended generally and freely to any other nation (in some cases the foreign power has generalized its concessions).

The United States, let us say, offers

an exclusive reduction in customs duties to another nation in return for a concession which is deemed satisfactory. At first glance this seems fair. It appeals strongly to the mind familiar with the doctrine of consideration in the Anglo-Saxon law of contracts. We offer the advantages of our markets in return for definite concessions, and we refuse the advantages except in those cases where reciprocal concessions are extended to us. This policy has made it possible for us to enter in good faith into reciprocity agreements, many of which have resulted from unusual circumstances, such as geographical propinquity or peculiar political relations. Our negotiation of reciprocity treaties, however, has been essentially an opportunist procedure, and warns us what to avoid in the future. It leaves out of account the interests of third nations which, under such a system of special bargaining, may be placed at a disadvantage. It opens up the necessity for an endless series of negotiations, and even retaliations, which are clearly objectionable in the complex commercial relationships of the world. Claims are made by excluded states which, if granted, defeat the purpose of the treaty and which, if not granted, are likely to invite protests and hostility.

RECIPROCITY AND THE TARIFF ACT OF 1890

The United States attempted something in the nature of a general "reciprocity" policy under the tariff acts

of 1890 and 1897.¹ It will be recalled that in the tariff act of 1890 there was a provision, the purpose of which was to secure for the products of the United States special concessions in certain foreign markets.

Under the regular tariff we admitted free of duty sugar, molasses, coffee, tea and hides. The President was then authorized to proclaim without further action by Congress special penalty duties on these products when imported from any country that imposed, on the products of the United States, duties or other exactions which he deemed to be "reciprocally unequal and unreasonable." The offense here penalized, it should be noted, was not discrimination against the United States, not the levying of higher duties on our goods than on similar goods from other countries, but the levying of duties on American goods higher than were regarded by us as fair, in view of the free admission or the lower duties on food and raw materials which our domestic needs had led us to enact.²

The President was thus given power to place the goods of one nation on a less favorable basis in our market than similar goods imported from other countries in case of the refusal of that nation to grant concessions to the United States. Under this law the

¹ For a full discussion, see United States Tariff Commission, *Reciprocity and Commercial Treaties* (1919). Before 1890 the United States had entered into a reciprocity treaty with Canada (1854-1866), and with Hawaii (1875-1900). In 1902 we negotiated a reciprocity agreement with Cuba, which is still in force. In 1910-11 an attempt was made to establish reciprocity with Canada by concurrent legislation. The necessary legislation was passed by the United States Congress but failed of enactment in Canada. Each one of these reciprocity agreements was a product of peculiar geographic and political relationships and was not a part of a general reciprocity policy.

² When France has used an argument similar to this against our high duties on peculiarly French products we have rejected it.

President concluded agreements with Brazil, with Spain for Cuba and Porto Rico, with the Dominican Republic, with Salvador, with the German Empire, with Great Britain for her West India Colonies, and with Nicaragua, Honduras, Austria-Hungary and Guatemala. We secured by these agreements all or part of the rates in the newly established conventional schedules of Germany and Austria-Hungary; that is, we were granted the rates which were also extended to all most-favored-nation countries. We secured also from the Latin-American republics certain special rates which were not generally granted to third countries; and from the Spanish and British West Indies, concessions which were shared only by the mother countries. All these agreements were terminated by the tariff act of August 25, 1894.

UNDER THE TARIFF ACT OF 1897

In the tariff act of 1897 there were three bargaining provisions, all based on the principle of special bargaining. One provided penalty duties and was, therefore, similar in method to the provision of the tariff act of 1890, but the commodities affected were changed. Under the regular tariff, free admission was granted to coffee, tea, tonka beans and vanilla beans. The President was given power to proclaim, without further action of Congress, penalty duties on these products when imported from any nation which imposed duties or other exactions on American goods which he might deem "to be reciprocally unequal and unreasonable." No agreements were negotiated under this provision, but it was a factor, as will be pointed out later, in securing for the United States preferential treatment in the Brazilian market in 1904.

Another of the bargaining methods provided for in the act of 1897 authorized the President, in return for

"reciprocal and equivalent concessions," to grant special reductions from the duties on argols, brandies, sparkling and still wines, and paintings and statuary. In this case, instead of using penalty duties, the principle was introduced of making special reductions in the regular tariff rates on certain articles in return for reciprocal reductions in the tariff rates of other countries. Here again, any agreements concluded under this provision required neither the ratification of the Senate nor the approval of Congress. A series of agreements, known as the "Argol Agreements," were negotiated and proclaimed. They were with France, Portugal, Germany, Italy, Switzerland, Spain, Bulgaria, the United Kingdom and the Netherlands; and these countries alone received the benefits of the lower rates in the American tariff. On the other hand, although we received concessions by these agreements, they were in no case confined to the United States. In most instances we simply received, either for the first time or in renewal of previous grants, all or part of the minimum and conventional rates already enjoyed by "favored" nations. In only a few cases did the agreements secure for the United States the benefit of conventional rates lower than those which had been previously effective.

The third bargaining provision in the tariff act of 1897 differs from those just considered in that the treaties negotiated under it had to be ratified by the Senate and approved by Congress before they became effective. This provision authorized the President to enter into negotiations for concessions in foreign markets, and to offer in return a reduction of not more than 20 per cent from the duties of the regular tariff schedules; or to transfer to the free list or agree to retain thereon specified articles from any country mak-

ing satisfactory concessions. Treaties known as the "Kasson Treaties" were negotiated under this provision, but they failed of ratification in the Senate and, therefore, never became effective.

OUR PRESENT RECIPROCAL ARRANGEMENT WITH BRAZIL

Our arrangement with Brazil—not a formal treaty at all—is the only surviving remnant of this reciprocity period. Under section 3 of the tariff act of 1897 the President was authorized to impose a penalty duty of three cents a pound on coffee imported from countries which he thought were treating American products unequally and unreasonably.

Brazil in particular was very largely dependent on this country as a market for its coffee. An effort was accordingly made by our State Department through our legation (now an embassy) at Rio to obtain from Brazil tariff concessions in exchange for a guarantee to continue the suspension of the penalty duty on coffee. After long negotiations, the Brazilian Government in 1903 introduced a bill into the Brazilian Congress providing for a reduction in the customs duties on a number of American products, chiefly wheat flour. The opposition, which included English milling interests owning flour mills in Brazil, was successful in defeating the bill. In 1904 the Brazilian President, however, under authorization of an old law decreed a reduction of 20 per cent in the customs duties on certain American goods. The preference was revoked by the Brazilian Congress in the following year. It was reëstablished in 1906, and has continued in force until the present time, with some changes in the articles affected. The penalty section of the tariff act of 1897 was repealed in 1909 but the renewal of this arrangement with Brazil is urged each year by the State Department.

In 1920, the United States received reductions of 30 per cent on wheat flour and 20 per cent on the following articles: Condensed milk; rubber articles, as per Article 1,033 of the Tariff; clocks; dyes, as per Article 173 of the Tariff (excepting writing or printing inks); varnishes; typewriting machines; refrigerators; pianos; balances; windmills; cement; corsets; dried fruits; school supplies and writing desks.¹

Speaking of its investigation of the effect of the Brazilian preferences, the United States Tariff Commission says:

The preferential arrangement, in so far as its object was to secure an increase in the American share of the imports into Brazil, has been attended by a moderate measure of success. It has not succeeded in increasing the proportion of the Brazilian consumption of wheat flour which is provided by American mills, nor has it effected a substantial increase in the share of the Brazilian imports of wheat flour coming from the United States, but it has undoubtedly tended to check the decline which the economic situation was bringing about. The other preferred articles were less important, and even in the aggregate constituted only a small fraction of the total American exports to Brazil. The preference on these articles, however, had much more effect. In almost every instance the establishment of the preference was followed shortly by an appreciable increase in the American exports to Brazil, both absolutely and in relation to the total amount of Brazilian imports from all sources. The statistics indicate that the trade with Brazil in several articles, notably pianos and cement, practically owed its establishment to the influence of the preference. To some extent the growth of the trade with Brazil in the preferred articles was undoubtedly due to the effect of the special

tariff treatment of American products in directing the attention of American exporters more closely to the Brazilian market.¹

THE MOST-FAVORED-NATION PRINCIPLE IN COMMERCIAL TREATIES

These reciprocity agreements, which have thus been briefly reviewed, and the policy of bargaining for special favors which they exemplified were a natural development from the American interpretation of the most-favored-nation principle in commercial treaties. Something, therefore, should be said of this principle which is found in almost all the commercial treaties of the world.

Nations are accustomed to define their economic relations in treaties of commerce and navigation. Before the war, there was a network of these treaties² regulating and defining the basic conditions upon which international commerce depends. In all of them the most-favored-nation principle appeared. Its object was to protect the contracting nations from discriminations, and to assure to each party to a treaty that neither would put the other on a less favorable basis in commerce by the extension of special concessions to any third country. To be a *favoured* nation does not mean *more* favored or *most* favored but *equally* favored with any other power, or it might be phrased to be an equal recipient of any favor granted to any other power.

The most-favored-nation principle should not be confused with the principle of national treatment, which occurs with equal frequency in commercial treaties. The latter is an extension to the citizens of a foreign power of

¹ On Sept. 1, 1920, these preferences were extended to goods of Belgian origin, except those by which Belgium is in no position to profit, and which, therefore, would be of no practical value to her. This is a significant breach in the exclusive feature of these preferences.

¹ United States Tariff Commission, *Reciprocity and Commercial Treaties*, (1919) pp. 312, 313.

² Martens, Georg Friedrich von, *Recueil Général de Traité*s, etc.

privileges assured to a state's own nationals,¹ as if, for example, the citizens of Great Britain were permitted to engage in the coastwise trade of the United States. National treatment by the United States means the absence of discrimination between the American citizen and the foreigner. In the case of most-favored-nation treatment, on the other hand, the guarantee is that there shall be no discrimination as between *avored* nations, *i.e.*, as between foreign nations. Great Britain, for example, agrees that French citizens and French goods will be treated on terms of perfect equality with American citizens and goods as to customs duties, regulations and other specific matters.

In the course of time, two different forms and interpretations of the most-favored-nation principle have developed, commonly known as conditional and unconditional. Both sought in the beginning equality of treatment, but one asked concessions for concessions, while the other extended privileges automatically; the one attached a condition to its granting of most-favored-nation treatment, the other extended to all favored nations immediately and without compensation any concessions granted to any other. It will be obvious that either of these interpretations provides a practical basis for negotiations, but that the two are so far incompatible as to make their presence in the same negotiation confusing. Much difficulty has arisen because of these divergent views held by leading nations.

¹ Aliens' rights are not determined by treaties alone. Municipal law and the comity of nations frequently fill up gaps left by treaties. Even if there be no treaty at all, citizens of two nations may receive equal treatment in the territory of the other by statute law of the country of residence; or as regards protection of life, equality before the law, etc., under principles of international law accepted in all civilized countries.

THE CONDITIONAL FORM OF THE MOST-FAVORED-NATION PRINCIPLE

The unconditional form of the clause had general vogue in Europe for some decades prior to the war of 1914-1918. The United States, however, refused to accept the unconditional form and construction. Our statesmen have contended that the clause did not require us to grant concessions to a third nation unless that nation also granted similar or equivalent concessions in return. If a concession was freely made, it was extended to all other nations entitled to most-favored-nation treatment, but if it was granted in return for a concession, it was extended to the most-favored-nation only in return for an equivalent concession. A typical clause embodying the American policy is that of the treaty between the United States and Colombia, concluded in 1824, in which the parties engage mutually not to grant any particular favor to other nations, in respect to commerce and navigation, which shall not immediately become common to the other party, who shall enjoy the same *freely if the concession was freely made, or on allowing the same compensation if the concession was conditional.*

Both our Federal courts and our Department of State have in the past supported the "American," or conditional, interpretation of the most-favored-nation principle, whether or not the clauses of treaties contained specific language to that effect.¹ Both our judges and public men have taken the position that the most-favored-nation clause is not to be considered as a means of generalizing concessions, nor as an instrument of acquisition, but that it is to be regarded merely as a preventive of discriminations and a

¹ *Bartram vs. Robertson*, 122 U. S. 116 (1887); *Whitney vs. Robertson*, 124 U. S. 190 (1888); *Moore's Digest of International Law*, Vol. 5 (Section on most-favored-nation clause).

means of promising to other nations the opportunity to negotiate for concessions made to third states. Mr. Sherman, when Secretary of State, said that the object sought was "protection against the wilful preference of the commercial interests of one nation over another." In theory, the conditional form of the clause also offers to foreign nations the opportunity to give an equivalent in order to obtain concessions granted to a third power under a reciprocity agreement.¹ The difficulty in determining what is an equivalent, however, has practically prevented this phase of the conditional clause from being effective. In fact, the tendency in the United States has been to consider reciprocity agreements outside the scope of the most-favored-nation clause. Mr. Frelinghuysen, when Secretary of State, in a reply to Mexico in 1884 entered "a courteous denial that the most-favored-nation clause applies to reciprocity treaties."

Of course, concessions which are granted freely and without compensation, as in the case of Section 2 of the Canadian Reciprocity Act of 1911, are generalized even under the American interpretation of the clause.²

The traditional policy of the United States, which led us to avoid entangling alliances with European states, has thus had its effect on this phase of our commercial policy. We have interpreted the most-favored-nation principle in a way suited to our national isolation and complete freedom. Historically, there is much to be said for the American position. It had at first a liberalizing influence on commercial relations, and was a natural accompaniment of our independent position in international affairs. It became, however, the support of special bargain-

ing and reciprocity treaties with their undesirable results.

UNCONDITIONAL FORM OF THE MOST-FAVORED-NATION CLAUSE

The European, or unconditional interpretation of the most-favored-nation clause was adopted only after a thorough test of each form in actual practice. The leading commercial countries of Europe moved from the unconditional to the conditional, and later back to the unconditional interpretation. Great Britain, whose practice exhibits with greater consistency and with greater simplicity than that of any other country the possibilities of the unconditional most-favored-nation treatment, has been the leading exponent of the European form.¹

When the European nations began to emphasize the protective features of their tariffs in the seventies and eighties of the nineteenth century, they did not return to the conditional form of the most-favored-nation clause. In the interests of this foreign commerce they began to experiment with bargaining tariff systems, and found the unconditional form of the most-favored-nation clause valuable in generalizing concessions and in maintaining commercial equality. They began with the assumption that the most that any nation should or could in the long run expect in commercial relations is equality of treatment. Constant bargaining was recognized as undesirable. The advantage of the unconditional clause was that it automatically and immediately generalized concessions made by one state to another, thus maintaining equality of treatment and making new bargains unnecessary every time two nations adjusted their tariff relations; and it guaranteed that no country would be placed on a less

¹ Moore's *Digest of International Law*, Vol. 5, p. 290.

² 4 Ct. of Cust. Appls. 146.

¹ Hornbeck, Stanley K.: *The Most-Favored-Nation Clause in Commercial Treaties*.

favorable basis than another. A typical unconditional clause is the following from the commercial treaty between Great Britain and Japan, April 3, 1911:

The high contracting parties agree that, in all that concerns commerce, navigation, and industry, any favor, privilege, or immunity which either high contracting party has actually granted, or may hereafter grant, to the ships, subjects, or citizens of any other State, shall be extended *immediately and unconditionally* to the ships or subjects of the other high contracting party, it being their intention that the commerce, navigation, and industry of each country shall be placed in all respects on the footing of the most-favored nation.

METHOD EMPLOYED TO MAKE EQUALITY OF TREATMENT EFFECTIVE

Equality of treatment may be adopted by a nation with reference to citizens of foreign governments seeking to trade in its markets, but a necessary corollary is the enactment of legislation which will obtain in return equality of treatment from other nations. A nation pursuing the policy of equal treatment in matters of commerce and navigation should so organize its power as to be able to obtain for its citizens such equal treatment from other nations. In a general way this has been accomplished either by the concession method or by the penalty method.

THE CONCESSION METHOD IN PRACTICE

The concession method of negotiation is based on the principle of the reduction of duties. It has the advantage of being conciliatory. Among European states it has appeared in the form of the general and conventional tariff system and the maximum and minimum tariff system. Of the European states before the war, five had single-schedule systems, the others had all adopted one or another of the multiple-schedule systems, mostly the general

and conventional but some the maximum and minimum.

GENERAL AND CONVENTIONAL TARIFF SYSTEM

Under a general and conventional tariff system there is a general tariff enacted by the legislative body, and the executive branch of the government is empowered to negotiate treaties or conventions with other nations, offering reductions from the rates in the general schedule in return for reciprocal concessions. This conventional or treaty tariff, embodied in one or more treaties, was almost always generalized to all most-favored nations. There was thereby established for a definite period specified in the treaties a lower or, as it was called, a conventional tariff. In effect, therefore, the general tariff was for the purpose of penalizing a nation offering unfair and unequal treatment and the treaty rates represented the normal tariff policy of the nation.

The German tariff act of 1902 is the most typical of the general and conventional tariffs. With the exception of a few agricultural products on which the legislature fixed minimum rates, the effective rates were determined in the negotiation of a series of commercial treaties which became effective March 1, 1906.

THE MAXIMUM-AND-MINIMUM TARIFF SYSTEMS

A "maximum-and-minimum" tariff system involves the establishing, by legislation, of two complete schedules, one containing maximum and the other minimum rates for every article in the tariff list. The rates of both schedules may be identical for some items. The application of the rates, one set or the other, to given commodities of individual countries or groups of countries is left to be determined, sometimes by

separate legislation, sometimes by executive action, sometimes by the operation of treaty pledges.

France, having earlier employed the general-and-conventional system, abandoned that system in 1892 in favor of the maximum-and-minimum, and the French system has in practice since been the leading example of the latter. In the tariff law of 1892 the legislature established two complete sets of duties, the rates in the two schedules differing by about 25 per cent. The higher, or maximum, rates were to constitute the general or ordinary tariff. The minimum rates were to be applied to goods, the produce of countries where French goods enjoyed equivalent concessions and were admitted at the lowest rates of duty. The government was empowered to prolong the expiring commercial treaties, except in so far as they involved fixed rates of duty, and to apply the minimum rates to the wares of countries which should promise most-favored-nation treatment to France. Later legislation has authorized negotiations involving reductions from the maximum without according the minimum rates. Agreements so negotiated must be submitted to the legislature for ratification or rejection.

A distinct advantage of the maximum-and-minimum tariff system lies in the fact that, whether the rates of the maximum or those of the minimum tariff be applied, there remains with the legislature or with the executive—subject to restrictions prescribed by the legislature—freedom to alter the individual rates within the schedules. Thus, not only is tariff autonomy retained, but the regulation of concessions is kept well within the control of the legislative authority.¹

¹ See report of French Tariff Commission of 1891; also N. I. Stone, "The Double-Tariff System," *The Annals of the American Academy*, Vol. 29, p. 478.

THE PENALTY METHOD IN PRACTICE

The penalty method of bargaining, the purpose of which is similar to that of the European systems, is illustrated by the maximum and minimum provision of our tariff act of 1909 (Section 2). The purpose of this penalty provision was to obtain the removal of discrimination against American interests in foreign markets. It was based on the principle that every country granting to our products the same treatment which it granted to similar products imported from other countries is entitled to equal treatment in our markets. Special concessions were not to be offered or sought, and no penalty was imposed upon foreign countries which levied higher rates on our manufactures than we did upon their raw materials. The regular tariff rates were made to constitute the "minimum tariff" of the United States. The "maximum tariff" consisted of these rates, plus 25 per cent ad valorem in addition. The President was then authorized to extend by proclamation the privilege of the minimum tariff to those countries which were found to impose no discriminations on the United States or its products. An investigation at the time disclosed a number of cases of unequal treatment of American products in foreign markets, and negotiations were instituted to remove them. More favorable treatment was obtained for the commerce of the United States in the markets of Germany, France, Portugal, Austria-Hungary, Brazil, Canada and other countries. Particular effort was made to eliminate discriminations against American cottonseed oil. Some of these discriminations were removed; but in other cases, conspicuously Austria, promises were made which were not redeemed.

Although sound in principle, the bargaining provision of the tariff act of

1909 was not sufficiently flexible to reach all cases of objectionable discrimination. This situation was brought to the attention of Congress by the Secretary of State, Philander C. Knox, in 1911, but no action resulted. Mr. Knox pointed out that discriminations continued against American products, among the most objectionable being those against that distinctively American product, cottonseed oil. Italy, Austria-Hungary, Bulgaria, and Portugal in particular, continued to discriminate against this product, or even to prohibit its importation, with the resulting advantage to other edible oils.

OUR INCREASING INTEREST IN A BARGAINING TARIFF

The experiences of the United States with commercial bargaining have been instructive, but our policy has been unsettled. In so far as these experiences indicated a general policy, they were, prior to 1909, based on the principle of special and exclusive agreements. In that year the Republican Party abandoned the policy of special bargaining, and adopted the policy of imposing penalties against any country which discriminated against American citizens. This bargaining method was in turn abandoned in the tariff act of 1913, now in force, which merely contains a general provision (Sec. 4 A) authorizing the President to negotiate general trade agreements, and providing that before these become effective, they must be ratified by Congress.¹

¹ In 1916 Congress enacted another provision—provoked by the restrictive measures of belligerent nations—which provides for retaliation against prohibitions of American imports into foreign countries. It reads as follows:

"That whenever any country, dependency, or colony shall prohibit the importation of any article the product of the soil or industry of the United States and not injurious to health or morals, the President shall have power to pro-

The absence of a permanent bargaining policy in the United States is not difficult to understand. Our economic position has been strong. Our exports have consisted largely of food and raw materials, and have been readily absorbed by foreign markets without special effort on our part. Under such circumstances, the tariff barriers of other nations have seemed to us of relatively little importance. We have clung to the single-tariff system, with only occasional attempts to give it flexibility. Tariff makers have been concerned chiefly with our domestic needs for revenue, and for industrial development. Here and there we have been led by special conditions into agreements, or we have adopted bargaining measures as an afterthought, so to speak. On the whole, our tariff policy has been in keeping with our traditional position of isolation.

In the United States, with its vast resources and varied, complex life, the fiscal and industrial aspects of the tariff will continue to be important, but our rising influence in overseas trade, particularly in highly competitive manufactured articles, makes essential the adoption of an effective bargaining provision as an integral part of our tariff laws. Recent radical changes in our economic position have tended to emphasize the need of a permanent policy in this respect. A tendency is appearing in the commercial policy of other nations to increase discriminations in trade. They are appearing not only in tariffs but also in more direct forms, such as embargoes and prohibitions. Our national duty is to protect our citizens from discrimina-

hibit, during the period such prohibition is in force, the importation into the United States of similar articles, or in case the United States does not import similar articles from that country, then other articles, the products of such country, dependency, or colony."

tions and unfair treatment when they pursue their legitimate business in foreign countries and we can not accomplish this unless we organize our economic power in such a way as to be able, when necessary, to compel equality of treatment. Speaking of the general policy which the United States should pursue, the Tariff Commission said, in its recent report on Reciprocity and Commercial Treaties¹:

A great gain would be secured, now that the United States is committed to wide participation in world politics, if a clear and simple policy could be adopted and followed. The guiding principle might well be that of equality of treatment—a principle in accord with American ideals of the past and of the present. Equality of treatment should mean that the United States treat all countries on the same terms, and in turn require equal treatment from every other country. So far as concerns general industrial policy and general tariff legislation, each country—the United States as well as others—should be left free to enact such measures as it deems expedient for its own welfare. But the measures adopted, whatever they be, should be carried out with the same terms and the same treatment for all nations.

FORM WHICH PENALTY METHOD MIGHT TAKE IN THE UNITED STATES

We are now in a position to speak in greater detail of the principles on which bargaining legislation should be grounded. We begin with the general purpose of offering equality of treatment, in the form of a minimum schedule, to all who grant like treatment to the United States and its products, and of penalizing with a maximum tariff those countries which refuse us equality of treatment.

In order to obtain the desired flexibility, Congress should define in

general terms the kind and degree of unequal treatment which is to be penalized, but should leave to the President the application of the law to particular cases. The mere possibility of the imposition of maximum or penalty duties will tend to secure equality of treatment for the United States and its products without formal action. When agreements, within the provisions of the law are entered into, however, neither the ratification of the Senate nor the approval of Congress should be required. The law should be sufficiently all-inclusive to enable the President to penalize not merely open discriminations, but also discriminations more or less concealed in customs regulations, transportation rates, sanitary provisions, and even in classification where the effect is to place a distinctively American product at a serious disadvantage in competition with substitutes.

Congress should specify the upper limit of the penalty duties, and it may wish to enumerate the articles or commodities on which these duties may be imposed. In case the latter is done a variety of products should be named, selected with the view of inflicting in operation the maximum penalty on foreign countries discriminating against us, and the minimum injury on the American consumer. Accordingly, these products in the maximum tariff should be chosen from those which are imported in substantial amounts from more than one source, in order that the imposition of the additional duties on imports from any one country shall result in a diversion of that trade to another country, without great inconvenience to importers and consumers in the United States.

An imported commodity which is also produced in large amounts in this country, and the production of which could be increased, would be suitable

¹ Page 10. Some exceptions to the equality-of-treatment principle may be allowed. Cf. W. S. Culbertson, *Commercial Policy in War Time and After*, (1919) pp. 306-308.

for the list, even though it was imported from a single country. An example of a commodity which should not be included in the list is jute. India is the only source of jute, and the imposition of a maximum duty on its importation would not seriously affect the producers in India, but would fall entirely upon the American consumer.

Congress, having power to specify the maximum penalty duty and, if it be thought necessary, to enumerate the articles, should permit the President a free hand in administering the law within these limits. The necessary flexibility can not be obtained unless the President has power to proclaim, at his discretion and without further action by Congress, as circumstances may require, the maximum tariff on any or all of the articles in the tariff, or to impose any additional duty less than the full maximum penalty authorized in the law. Many discriminations can not be reached at all unless, in the administration of the bargaining tariff, the penalty can be fitted to the offense.

Penalty duties may be used with the single tariff system. Congress may enact a law providing that the free list and the dutiable list of the tariff act shall constitute the minimum tariff of the United States, and that they shall be applicable to the products of all countries, *except* in those cases in which the President shall ascertain as a fact that any country or subdivision thereof, whether by law or administrative action, enforces tariff rates, provisions, regulations, or other exactions unfavorable to American commerce, which are not equally applicable to the commerce of all other countries. In ascertaining the facts, the President may be authorized to use, in addition to the services of the State Department, the services of the United States Tariff Commission. The law then may embody the principles which have

been already discussed—the enumeration of the articles in the maximum tariff (if thought necessary), the fixing of the maximum duties, the giving a free hand to the President in determining within the limits of the law the articles to be penalized, the amount of the duty in each particular case, and the authority to apply or withdraw the penalty duties as the circumstances may require.

WHERE THE PENALTY METHOD IS INEFFECTIVE

Penalty duties are effective in preventing many discriminations and have the advantage of simplicity, but there are at least two classes of important discriminations which they reach with great difficulty, if at all.

The first class is illustrated by the intermediate tariffs of Canada and Australia. The paragraph on iron and steel in the new Australian tariff of 1920 showing the British preferential tariff, intermediate tariff¹ and the general tariff is shown on page 171.

¹ The following reference to the Australian intermediate tariff is taken from a dispatch to the *Christian Science Monitor* (Boston) of Monday, May 17, 1920, from Melbourne:

Referring to reciprocity with countries other than the United Kingdom and dominions, the Minister said that the intermediate tariff rates—that was the rates between the British preference and the ordinary tariff rates—would be extended where desirable but to no other country could the Empire or United Kingdom rates be granted.

An important and significant exception to the policy of the intermediate rate or even of the special dominion rate was described by the Minister in the following terms:

"There is one important limitation upon the powers of the Minister with regard to negotiation with other countries. It is this: The Minister is precluded from entering any negotiations which will lead to a reciprocal tariff if he is satisfied that the economic conditions of any such dominion or other country are substantially lower than those prevailing in Australia. Importations from such dominions or other countries would, therefore, fall automatically under the general tariff schedule, and remain there until such time as their economic conditions assimilate more closely to our own."

PARAGRAPH ON IRON AND STEEL IN THE AUSTRALIAN TARIFF OF 1920

Tariff Items	British Preferential Tariff	Intermediate Tariff	General
136. Iron and Steel—			
(A) Pig Iron—per ton	20s.	30s.	40s.
(B) Ingots, Blooms, Slabs, Billets, Puddled Bars and Loops, or like crude manufactures, less finished than Iron or Steel Bars, but more advanced than Pig Iron (except castings)—per ton	32s.	52s.	65s.
(C) Bar, Rod, Angle, Tee; Bars of fancy pattern in the state in which they leave the rollers—per ton	44s.	65s.	80s.
(D) Plate and Sheet (Plain)			
(1) up to and including one-sixteenth of an inch in thickness—ad val	Free	5 per cent	10 per cent
And on and after 1st January, 1922—per ton	65s.	82s. 6d.	100s.
(2) exceeding one-sixteenth of an inch in thickness—ad val	Free	5 per cent	10 per cent
And on and after 1st January, 1921—per ton	48s.	68s.	85s.
(E) Wire—per ton	52s.	72s. 6d.	90s.
(F) Hoop—ad val	Free	5 per cent	10 per cent
And on and after 1st January, 1921—per ton	70s.	90s.	95s.

Canada also has an intermediate tariff, which has been in effect since 1907. In 1909, we asked that she grant American goods the rates in her intermediate tariff which had been granted to France and other European countries. Upon her refusal we threatened to apply the maximum or penalty rates of the 1909 tariff act to Canadian goods. Canada's answer was that we had always refused to generalize concessions under the most-favored-nation clause and had granted concessions only in return for concessions; that her intermediate tariff was to be extended from time to time "in consideration of benefits satisfactory to the Governor-

in-Council" and was used for the purpose of negotiating commercial arrangements. Her statesmen added that if the United States were willing to offer concessions, we might have the benefits of the intermediate rates.

A few insignificant concessions were made to the United States by Canada, to prevent a trade war, but our failure to get the full benefits of the lower rates in the intermediate tariff demonstrated that penalty duties could not be used to obtain lower rates embodied in a schedule established for the purpose of negotiation with other nations for concessions.

A nation with a single tariff, such as

ours, is necessarily at a disadvantage in bargaining with countries with intermediate and minimum tariffs. Some nations grant their minimum rates to all most-favored nations unconditionally and automatically. But in a number of cases we have not received the full benefit of minimum schedules and Canada, as has been pointed out, has insisted in applying to her dealings with us our own interpretation of the most-favored-nation clause and has refused concessions except in return for concessions. The lowering of the duties in a general or maximum tariff, which represents ostensibly at least the settled policy of a country, always makes an appeal, and as long as we are not in a position to offer reductions in our tariff schedules, we are not likely to benefit fully, at least, from intermediate and minimum schedules fixed for the purpose of bargaining.

Penalty duties, in the second place, do not prevent effectively discriminations concealed in regulations and classifications. There has been a marked tendency, particularly in European tariffs, to increase the number of classifications within the different industrial groups, primarily in order to apply specific duties more accurately, but sometimes with the purpose and frequently with the result that when a concession is made to one country, the benefit to other countries entitled to the concession under the most-favored-nation clause is reduced to a minimum.

It is clear that if classification is carried far enough, third nations will benefit very little from their rights under most-favored-nation clauses. The general, or higher, tariff rates, therefore, may remain in effect on peculiarly American products, simply because we have not been in a position to negotiate for the minimum rates.

Penalty duties are of little help in this situation, although Secretary Knox was able to obtain a few concessions by the use of the maximum and minimum provisions of the tariff act of 1909. Generally speaking, the result will be that we shall receive most-favored-nation treatment, but, as a matter of fact, peculiarly American products will bear relatively a much higher duty than the goods of those countries which were able to negotiate for concessions.¹

Discriminations may also be found in regulations. From 1883 to 1891 Germany prohibited the importation of American hogs, pork and sausages. The official ground assigned for this action was sanitary but the measure was, in fact, for the protection of German agrarian interests.

FORM WHICH THE CONCESSION METHOD MIGHT TAKE IN THE UNITED STATES

At least the first of these disadvantages of the penalty method is avoided by the concession method. Congress might fix the rates of the tariff in the next revision at a level which would permit a reduction of 20 per cent thereof without injury to any American interest, and at the same time authorize the President to reduce the tariff on any article in any amount up to 20 per cent of the duty in the general schedule (or to place certain specified articles on the free list) in return for the lowest rates granted to any other nation. The law should state specifically that special and exclusive concessions were not to be asked from foreign powers and that all concessions in the American tariff granted to

¹*I.e.*, even though the foreign country had no discrimination in mind. Of course, a bargaining tariff would hardly deter a foreign country which had adopted a policy of protection for typical American products.

any one country should be granted immediately and automatically to all other countries granting us their lowest rates.¹

This provision, it should be noted, would differ from Section 4 of the tariff act of 1897 (the Kasson Treaty section) in three respects: (1) No ratification by the Senate of trade agreements entered into thereunder would be necessary. (2) No special or exclusive concessions would be sought, but only equality of treatment. (3) The concessions made in the United States tariff would be generalized to all countries granting us their lowest tariff.

It is obvious how this provision might be used to obtain the intermediate or minimum rates of foreign tariffs. It might also be adapted to prevent with greater effectiveness discriminations concealed in regulations and classifications. To make this possible, however, the President would have to be given discretionary power to withhold our minimum tariff rates from any country which he should find upon investigation insisted on keeping in force concealed discriminations against the United States.² The mere existence of high tariff rates does not constitute a discrimination. Suppose, however, a nation has a general and conventional tariff and no conventional rates are fixed on products in which the United States is particularly interested. A refusal to fix a conventional rate would constitute at least a *prima facie* case of intent to discriminate and warrant the withholding of reductions in duties on products imported from that nation.

¹ Cf. Section 644 of the Tariff Act of October 3, 1913.

² Cf. the act passed by the Congress of the United States to cause the removal of discriminations by Germany against American meats. U. S. Tariff Commission, *Reciprocity and Commercial Treaties*, p. 424.

DRIFT TOWARD SPECIAL BARGAINING AND DISCRIMINATIONS

At a time when a policy of equality of treatment seems particularly desirable, not only for the United States but also for all nations, a policy of discrimination and special bargaining of the harshest character is being advocated and applied by foreign nations. Indeed, it is not absent from the United States. It has appeared in the sections of the Merchant Marine Act providing for special export and import railroad rates on goods shipped in American bottoms, for an American monopoly of Philippine shipping, and for discriminatory customs duties on goods imported in American ships. Even a return to the reciprocity practices of the tariff acts of 1890 and 1897 is suggested.¹

The policy of discrimination and exclusion expressed itself in its extreme form in the Teuton program for *Mittel Europa*, and in its counterpart among the Allies, the Resolutions of the Paris Economic Conference of June, 1916. These measures on the part of the Allies were undoubtedly justified for strategic reasons, but they have no place in a program for harmony and good will among nations. Unfor-

¹ Mr. Longworth recently said (*Congressional Record*, Dec. 21, 1920, p. 21):

If discrimination in favor of the debtor nations is to be a feature of our future tariff policy, there is one way to my mind by which it can be effectively accomplished, and that is through the medium of separate and reciprocal trade agreements. I can see difficulties in the way of such a policy, but to my mind they are by no means insurmountable. I can conceive that it might be greatly to the benefit of England or France or Italy or Belgium and not greatly to our detriment to permit them certain advantages over other countries in the shipment of certain kinds of goods into our market, in return for which it might be greatly to our benefit and not greatly to their detriment to receive in return certain advantages to American goods in their markets. Under such a policy we would not be giving something for nothing. Such arrangements would be and ought to be to our mutual advantage.

tunately, therefore, when the Allied and Associated Powers sat down at Paris to negotiate the final treaty of peace, these doctrines of revenge, punishment, exclusion and trade war were a guiding influence in the construction of the treaty, particularly in the construction of its economic clauses.

The same spirit of exclusion and narrow commercialism which ruled at Paris is still menacing the world with the possibility of trade wars. Attempts are being made to justify special discriminatory arrangements, upon the ground that only by such means can nationeconomically weak maintain themselves in competition with the stronger.

Certain countries, it is urged by some, should be permitted to enter into special arrangements with other nations and not be required to generalize their concessions. It may be desirable for political reasons to tolerate an exception to the general rule of equal treatment in order to enable a country to recover from the war. A general principle recognizing special bargaining would in the long run not help, but would injure nations economically weak. If such a principle be conceded to weak nations, it must be allowed also to the strong, and it is inevitable that the former would be worsted in any international test of power with the latter.

Special bargaining might work to the advantage of the weak nation if the strong refrained from exerting its power, but in international dealings that is not likely to occur. Weak nations, if they champion a régime of special bargaining, are only forging weapons for their own disadvantage. On the other hand, the principle of equality of treatment gives to the economically strong nations only the advantages which are theirs by reason of their strength. At the same time it affords the economically weak nations

a degree of protection, which they can not have under the harsh procedure of a system of special dealings. The best thing in the long run for any nation (and all that any is entitled to in international affairs) is a fair, equal chance. Weak nations should count themselves happy to have this guaranteed. The United States, it is true, would have, because of its economic power, some advantages in the free, open and equal competition which would take place under a system of unconditional most-favored-nation treatment among nations, but it could obtain much greater advantage if it chose to use its power to exert pressure and exact special concessions.

OUR NATIONAL POLICY

An effective bargaining tariff in the United States is necessary to protect American interests from the discriminations which today threaten our interests abroad. The adoption of a definite policy by the United States today would unquestionably have a very wholesome, restraining effect upon objectionable tendencies in the commercial policies of other nations. The first step in the framing of such a policy would be to eliminate from our own practice unequal treatment wherever it exists. In the next place, it would be a great gain if we should set forth equality of treatment as the basic principle which is to guide us in the application of our commercial policy, and then to organize our tariff in such a way as to penalize other nations which refuse to grant to American interests equality of treatment in their markets. Furthermore, the need is great today for an agreement among the nations upon a model clause in commercial treaties guaranteeing equality of treatment. The old controversy over the conditional and unconditional most-favored-nation clause should be

avoided. It should be recognized that the object of both forms of the clause is to establish equal treatment among nations and this principle should be embodied in future commercial treaties, regardless of the traditional forms and interpretations which the clause may have had in the past.

The limits of a bargaining tariff can not now be set. In the past they have not applied to tariff relations within empires. Whether our bargaining tariff policy, however, should extend to include the preferential schedules of the self-governing dominions of the British Empire is a question which can not be considered closed. These dominions are today, for all practical purposes, nations; and having assumed the rights of nations, it seems that they should be willing also to assume the corresponding obligations.

A further question is raised by the

preferential export taxes recently adopted in British West Africa and India. In the case of India, for example, an export tax of 15 per cent was imposed on hides and skins exported from India and two-thirds of this duty is remitted when exports are made with the guarantee that the hides and skins are to be tanned in the British Empire. Should we in such a case impose additional or penalty duties on *leather* and *leather goods* imported from any part of the British Empire which benefits from this special export concession? These are large problems and, since they are not such as have been disposed of under general policies of bargaining in the past, it is better to consider them as subjects for general negotiation. Nevertheless, they press for solution and those who wish to avoid trade wars and national conflict will do well to give them early consideration.

Post-War Tariff Changes and Tendencies

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THE generalization may be made that practically all countries either have increased their tariff rates since the war or are taking more or less definite steps in that direction. The statement holds even for a number of the countries whose rates are limited by treaties. The recent treaty between the United States and Siam is a first step toward the relaxation or removal of the restrictions which now limit Siamese import duties to 3 per cent ad valorem. Egypt is asking Great Britain to obtain for her a like tariff autonomy. China's tariff is limited in principle to 5 per cent ad valorem, but the rates enforced are "equivalent" specific rates, which have been revised only at long intervals, and which, in 1918, actually yielded only 2.6 per cent

of the value of the imports. During that and the following year new rates "to restore an effective 5 per cent" were worked out on the basis of the prices of 1912-1916, and the new schedule went into effect in September, 1919. Most recently the powers have agreed to a temporary surtax of 10 per cent of the duties to provide funds for famine relief, and the press has announced that this will go into operation January 16, 1921. By the peace treaties, Germany and Austria were put temporarily among the countries which might not increase their pre-war tariff rates.¹

¹ Imports from the Allied and Associated Powers were to pay for six months the lowest rates payable on similar articles on July 31, 1914. Upon vegetable products the restriction extends to an additional thirty months. (*Treaty with Germany*, Art. 269.)

They were permitted, however, to require payment in gold; and payments in paper are now accepted in Germany at 10 times, and in Austria at $33\frac{1}{3}$ times the gold rate.

Exceptions to the generalization that recent tariff changes are upwards are found in certain of the belligerent countries which pushed their revenue rates very high during the war and have since lowered or only maintained them. The removal of the Canadian war surtaxes and reductions on farm machinery may be cited. The repeal of duties upon the raw materials of a new or expanding industry is a part of protectionist policy which has been recently illustrated in Japan, Australia and the Union of South Africa. War prices led in some instances to the suspension of duties on foodstuffs and these suspensions have been largely continued, while the needs of reconstruction in Europe have led to removals of duties from machinery and building materials. On the other hand, the fall in prices in the latter half of 1920 led to the lowering of export duties on rubber, hides, wool and other products upon which unusually high duties had been levied during the period of high profits. In a few cases very high duties have been reduced, *e.g.*, France reduced the rate on automobiles from 70 to 45 per cent, and Ceylon, from 100 to $7\frac{1}{2}$ per cent. While a complete enumeration of the tariff reductions of the last two years would fill pages, they are few compared to the increases, although relatively few countries have made an approach to a general revision of their tariffs—changes have perhaps been most extensive in France, Belgium, Spain, Portugal, Argentina, Brazil, Mexico and Peru. The European states named, however, consider the changes already made merely tentative. Argentina's revision consisted in revising

the official valuations, which had remained unchanged since 1906. Canada, Japan, New Zealand, Spain and Italy have revisions in process. The governments of Chile and Switzerland have proposed revisions. Anti-dumping legislation and provision for key industries remain on the government's program in Great Britain. The transition period since the war has been too short and unsettled for statesmen and nations to determine upon large changes of policy. Trade in Europe is still, to a considerable extent, under direct government control. With the possible exception of Great Britain and her dependent colonies, no revolutions in policy have been made or seem imminent. While no other change appears likely in regard to free trade, other features of tariff policy may soon be revised on a large scale. Europe is today almost without commercial treaties, and it is too soon to predict what policies will be adopted in regard to most-favored-nation treatment, the use of maximum, minimum and intermediate schedules, and similar points. The Italian Government has expressed a preference for an autonomous tariff; *i.e.*, a two-column tariff whose lower rates may be accorded by treaty *en bloc*, but which remain alterable by the legislature.

It would be nearly as tedious as difficult to enumerate the increases of tariff rates recently made. A few isolated points may be mentioned before considering recent changes in France and the British Empire. Japan has levied 35 per cent *ad valorem* upon dyes and drugs. In Italy, which lacks both coal and iron, the tariff dispute centers around the demand of the iron industry for high protection. From Italy and Portugal to Norway there has been a general movement to restrict the importation of luxuries, either by prohibitions or by high duties.

French wines and other products have been hard hit and there is considerable tension in Franco-Swiss and Franco-Spanish relations. A feature of German tariff policy has been the use of export duties to force the prices of exported articles above the prices for domestic consumption. These duties are less extensively used now than they were some months ago. Their special purpose was to compensate for the lag between the fall in the international value of the mark and the rise of German prices. They were intended to prevent, while the mark was rapidly falling, the sale abroad of finished products for a smaller sum, as expressed in foreign currencies, than the raw material had cost. They also increased the revenue, assisted the exchange rates, and tended to conserve supplies of needed commodities and to prevent the exportation of capital.

FRENCH TARIFF CHANGES

Some months after the Armistice, the total prohibition of all imports into France, except as licensed and except from the French Colonies, was enacted as law. When the prohibitions were largely removed, after a short experiment with ad valorem surtaxes, in July, 1919, "co-efficients of increase" were introduced. These co-efficients (which have been copied in Belgium) ranged at first from 1.1 to 3; but for luxuries, upon the repeal of the later prohibition upon their importation, co-efficients as high as 7.1 are now used. By multiplying the old specific rates by these co-efficients, new rates are easily formed, which for any desired part of a schedule maintain the previous relations between the rates on different articles and between the minimum and general tariff rates. The original set of co-efficients covered all the schedules except animals, animal products, vegetable products and

crude minerals, but included wool and slate. The co-efficients are freely revised by decrees which appear at short intervals and nearly all the changes are increases. France has also participated in the movement to restrict the importation of luxuries, and from April to July, 1920, about 175 articles were on the prohibited list, and some 20 articles remain under the ban. The prohibition of luxuries met with especial opposition from a large number of manufacturers and merchants who cater to the tastes of wealthy visitors and who maintain some of the most characteristic lines of French exports. On the whole, it does not appear that the French have made excessive increases in their import duties. With the balance of trade heavily against them¹ and under severe pressure, both to raise revenue and to restrict imports, their increase in the tariff rates have not kept pace on the average with the advance of prices.

PROTECTION AND IMPERIAL PREFERENCE IN THE BRITISH EMPIRE

The British Empire demands more extended consideration. In recent decades the Empire has been sharply divided on tariff policy; Great Britain, India and the Crown Colonies have held to free trade, while Canada, Australia, New Zealand and South Africa adopted, and from time to time have extended, systems of protection. Further, these Dominions grant to Great Britain (and to some extent to other parts of the Empire) preferential tariff rates. The war has strengthened

¹ The provisional figures (based upon 1919 values) show that in January-July, 1920, France imported \$1,760,000,000 francs' worth of goods, but exported only \$2,600,000,000 francs' worth. In August and September the figures were: Imports, \$5,428,000,000 francs; Exports, \$4,551,000,000 francs—an excess of imports not much greater than that which was customary before the war.

rather than shaken the adherence of the Dominions—now recognized as nations—to the protective policy, and has given a new prominence to the question whether the rest of the Empire should maintain its free-trade and non-preferential policy.

The British self-governing Dominions show no prospect of any substantial lowering of their protective barriers, even in respect to imports from the mother country. There is, however, in the prairie provinces of Canada, and to a lesser extent in Australia, a widespread demand for lower duties. This demand in Canada led, in 1919, to the repeal of the war tax of 5 per cent ad valorem on merchandise admitted under the preferential tariff, and to some other concessions to the farmers, and, in 1920, to the repeal of the 7½ per cent war tax on non-preferential merchandise. But the present cabinet stands firmly for an upward revision of the tariff; the commissioners who spent months in travel throughout the country heard chiefly demands for increased protection; and Canadian history makes it certain that the United States can not long impose duties on Canadian farm products and increased rates on Canadian manufactures (which seems to be the prospective Republican policy) without finding its own products subject to higher rates at the Canadian border. It is obvious to any Canadian protectionist that if the large-scale industries of the United States need further protection, much greater is the need of Canadian enterprises.

In South Africa there has been some lowering of revenue duties on articles not produced in the country, and some additions of raw materials to the free list. But a strongly nationalist (partly anti-British) feeling in South Africa, combined with the advance in industry, makes an extension of protection most probable, and an extension of the

principle of imperial preference rather improbable. Australia, alone of the British Dominions, has thoroughly revised its tariff since the war. The new rates, which went into force provisionally in March, 1920, have extended the range and raised the rates even of the preferential schedule but have increased also the surtaxes upon non-preferential¹ goods. Ninety manufactured articles are made dutiable for the first time. The object is not only to protect industries which arose during the war, but also to promise protection to some which it is expected will be established shortly. For this purpose "deferred duties" are provided—to go into effect at prescribed future dates unless the Minister of Commerce decides that the industries are not yet on a producing basis. The avowed aim is to make Australia self-sufficient and independent of long lines of communications, insofar as her raw materials provide the basis for self-sufficiency.

In India, both educated and uneducated, native and Anglo-Indian opinion is strongly in favor of protection, and has been increasingly insistent for many years upon the adoption of this policy. During the war a beginning was made in raising the rate on cotton textiles (the most important product of local factories, as well as the largest single article of import) from 3½ to 7½ per cent ad valorem, without any corresponding change in the excise duty; and since the war an export duty has been imposed upon raw hides and skins, while the tanned product remains free. Both duties are frank concessions to protectionist sentiment. Meanwhile, the establishment of self-

¹ For a discussion of the intermediate rates of the Australian tariff, see Dr. Wm. S. Culbertson's article upon "*Equality of Treatment Among Nations and a Bargaining Tariff*," page 160 in this volume.

government is the avowed objective of British rule in India, and a long step in that direction is represented by the constitution of 1919, which is now being put into operation. Under the rather vague fiscal provisions of this plan of reorganization, it will probably be impossible, as was recognized in the English parliamentary debates, for the British to introduce any fiscal policy which is heartily opposed in India, while the situation will not improbably so develop within a decade or two that Indian leaders can dictate a change of policy regardless of British opinion. Their policy will doubtless be protectionist, but two uncertainties remain: (1) the extent to which the Indian leaders will attempt when in power to carry out the ideas expressed when their responsibility was less, and (2) the extent to which they will (assuming that the British demand special favors) compromise upon the granting of preferential rates to British imperial products. The present export duty on raw hides and skins illustrates what is likely to be the Indian policy, particularly in the transitional period, when both Indian and British interests can make themselves felt.¹ This duty is levied at the rate of 15 per cent ad valorem upon all exports to points outside of the empire, but at the rate of only 5 per cent when bonds are given that the tanning will take place within the empire.

In the United Kingdom two points of recent tariff history stand out. During the war there were imposed—pri-

marily to check imports of luxuries—duties of 33½ per cent ad valorem upon clocks and watches, passenger automobiles and motorcycles, musical instruments, and at specific rates upon cinematograph films and matches. These duties have been maintained since the war and obviously are heavily protective. The maintenance of these duties has been the subject of much discussion, and is optimistically regarded by many "tariff reformers" as the beginning of a general system of protection. Secondly, by the budget bill of 1919, not only these duties but the revenue rates upon tea, coffee, cocoa, sugar, dried fruits, tobacco and alcoholic beverages were reduced in favor of colonial products, *i.e.*, the principle of imperial preference was accepted for the whole of the limited tariff schedules of the United Kingdom. The immediate effectiveness of these preferential rates has been unimportant, since Indian and Ceylon teas already dominated the English market, and only small quantities of the other dutiable articles¹ are derived from British possessions. The significance lies in the acceptance of the principle—which the Governor of Jamaica has termed the "imperial principle"—that, however free different parts of the empire may be to determine their tariff policies and rates, a preference of about one-third shall be granted to imports from other parts of the empire. Characteristically, this "imperial principle" has not been forced upon the crown colonies. The recent extension of preferential tariffs in the British West Indies is clearly a reflection of Canadian rather than of British policy, and in nineteen months the action of Great Britain has been followed only by the

¹ An official commission has lately come to the conclusion that India is likely neither to gain nor to lose much by the adoption of a policy of imperial preference; this leaves the way open from an economic point of view for the adoption of a plan embodying a general system of protective import and export duties with preferential rates for the British Empire—the question remains whether the political situation will make this a satisfactory compromise to the Indian Protectionists.

¹ Except cocoa and rum. The Chancellor of the Exchequer estimated that the new rates would reduce the revenue from tea by £2,000,000, and from all other articles by £1,000,000.

introduction of a general preferential system in Cyprus,¹ and of preferential export duties on palm kernels from the four British West African colonies, on tin ore² from Nigeria, and on hides and skins from India. These differential export duties revive a long-abandoned mercantilist policy, the reservation of colonial raw materials for the use of the mother country. The general extension of this policy to the enormous resources of the British Empire would almost of necessity inaugurate tariff wars, if not more open hostilities. It is too soon, however, to affirm that the British free-traders have suffered ultimate defeat. They have strong allies in their opposition to many of the duties which are most prominently suggested. The textile and other consuming industries aggressively opposed different proposals for the restriction of the importation of dyestuffs, and finally compromised upon a licensing system only when they were conceded a large representation on the advisory board,³ with whose assistance the Board of Trade is to determine what dyes can be satisfactorily produced in the United Kingdom and what are to be allowed to be imported.

POST-WAR REASONS FOR PROTECTION- IST SENTIMENT

During the war there was little demand for protection and few were the modifications in protective tariffs, except where revenue was the aim. The belligerents controlled trade by prohibitions, embargoes, licensing and

rationing systems, requisitions and government monopolies. As they concentrated their energies upon the struggle, and as shipping became scarce, they permitted the importation of almost nothing which could be produced at home. While they made efforts to maintain "business as usual," and to keep up their export trade to balance the necessary imports, the neutrals had difficulty rather in obtaining supplies than in protecting their markets against competition. To state it baldly, during the war there was no foreign competition; abnormal conditions afforded complete protection, without recourse to tariffs. These conditions continued after the armistice. At the close of hostilities the inability of manufacturers immediately to resume operations on their previous scale, the enormous demand to replenish consumers' and merchants' stocks, and the continuance of government control over many lines of trade, prevented the rapid development of the feeling that protection was needed. An automatic measure of protection was indeed afforded by the great advance in land and ocean freights, a protection frequently brought to notice in markets so remote from industrial Europe as South Africa and Australia. But as reconstruction has proceeded and manufacturers have come finally to find that buyers no longer press upon them, there has arisen almost a world-wide demand for protection. As *The Economist* put it, traders have become soft. "Now, if the smallest cloud of possible competition is seen on the distant horizon, there arises a shriek for the very stiffest kind of protection."¹ But softness and other psychological factors supply no adequate explanation; and the acquiescence of the public needs explanation—the demands of the manufacturers we have always with us.

¹ *The Economist*, Sept. 20, 1919, p. 455.

¹ Preferential rates were established in Malta also, but were repealed after a few months.

² By exception differential export duties had been imposed in 1903 upon tin ore from the Federated Malay States.

³ The Advisory Board is composed of five representatives of the industries which consume dyestuffs; three representatives of the makers of dyes; and three representatives of the public, one of the last being chairman.

For a while the belief that Germany had great stores of products to be "dumped" abroad alarmed other markets. The "war after the war" is appealed to as a special reason for protection against the reviving industries of Germany. There is also the increase of national feeling, the hatred of enemies, and the suspicions of neutrals, which make easy the appeal for support for anything which can reasonably be denominated a national interest. Manufacturers naturally realize acutely their own difficulties and the increased costs under which they operate, but realize only vaguely that costs have risen on a similar scale in other countries. The manufacturers of those countries which participated in the war for longer periods or on a greater scale feel that, as compared to manufacturers in the United States and Japan, to say nothing of neutral countries, they have suffered from more violent disturbances and are subjected to heavier taxation. The belief that the United States grew rich from the war still causes resentment. More specifically, in countries whose currencies have depreciated, increased protection is demanded in order to keep imports at a minimum and to restore exchange rates; but where currencies stand relatively higher, protection is urged against imports from countries to which cheaper currencies are alleged to give the advantage of unduly cheap production. The relative decline of specific rates of duty (used in practically all protectionist countries, other than the United States and the British Dominions) during the rise in prices has supplied a plausible argument for an advance of rates. The realization of the possible consequences of dependence upon a foreign country for even a minor article such as hosiery needles, and the revelation of the connection between the dye in-

dustry and modern explosives, has led to the view that the establishment of many "key industries" is vital to national safety. In Great Britain there is in addition the *fait accompli* of protective duties imposed during the war upon a few manufactured articles, and there is the feeling that the Dominions have earned the right to special consideration in imperial policy, specifically to the imposition of protective duties from which articles of colonial production should be partially or wholly exempt. In the same way Australian ministers referred to the heavy sacrifices of Great Britain as a special reason for increasing the tariff preference upon British goods. On the other hand, Continental manufacturers see in the modernization and reorganization for mass production of British industry, particularly of the metal trades, a new reason for protection.

SIGNIFICANCE AND DIFFICULTY OF TARIFF READJUSTMENT

The significance of the world-wide movement for the increase of tariff rates need not be overestimated. Modifications in revenue tariffs—the tariffs found throughout Asia, Africa and Latin America, with the exception of Japan, the Union of South Africa and certain colonies of Japan, France and the United States—are of importance only to the consumers. The ministers of finance seldom make the mistake of advancing rates to a point at which consumption is seriously curtailed. Export duties are levied almost exclusively for revenue; in few instances outside of Europe has their purpose been protection of industry or conservation of supplies. With some exceptions similar to those already noted, their introduction, reintroduction or extension show only the regrettable results of fiscal necessities.

Modifications in the rates of protec-

tive tariff systems may also be unimportant. These systems usually include numerous revenue duties, but even in the protective rates, (1) modifications may be too slight in amount, or both the old and the new rates may be too far above or below the "difference in cost of production" to affect the situation; (2) in a period of changing conditions, successive modifications may merely maintain the status quo, or (3) they may decrease or increase the amount of protection, making easier or more difficult the entry of competing foreign goods. The first kind of change has no significance, and the second, only a negative importance. Changes of rates which indicate the adoption or extension of the policy of protection, or its partial or entire abandonment, are alone of great significance in international tariff policy. Most of the recent changes in protective tariff systems have been or have been intended to be of the first or second of the kinds enumerated, and higher tariff rates have been applied largely on the ground that they were necessary—that in a period of increasing prices effective protection could be maintained only by advancing the rates.

The assertion that advancing prices demand the scaling up of specific duties to "their [previous] ad valorem equivalent, which is the measure of protection" is so plausible and so misleading that it calls for brief consideration. Unfortunately, even ad valorem duties do not adjust themselves satisfactorily to changing conditions, and the scientific readjustment of specific rates is no such child's play as the quoted assertion would indicate. The most that can be said for the assertion is that there is a general probability that ad valorem duties, or specific duties increased *pari passu* with the rise of prices, will maintain or increase the effective level of protection. But no general rule can serve as a guide to the

proper "measure of protection." Each industry requires detailed study. As one extreme, a rise in prices will make the protection of some tariff schedules entirely superfluous; and it may be noted that it has been the more recent *decline* in prices, and not the great rise between 1914 and 1920, which has produced the demand for protection in some quarters. In schedules affecting other industries it may be found that specific duties, not unduly large to begin with, maintain a sufficient measure of protection in spite of a doubling or a trebling of the prices; while in still other schedules—the other extreme—a proportionate increase of the duties may prove insufficient. Not only each industry but each period must be studied in making a scientific tariff; for instance, a rise in the cost of flour due to a wheat shortage presumably leaves the effectiveness of a specific duty unimpaired, whereas a rise due to local but not international wage increases presumably requires a readjustment. These observations serve to point out that it would be impossible, except by the combined study of a staff of technical and economic experts, to determine the protective effect of many recent changes, *e.g.*, those of the French tariff.

INDICATIONS OF FUTURE POLICIES

The denunciation, since 1917, of most of Europe's commercial treaties, gives a free hand in the reconstruction period. European statesmen are now under no obligation to treat long lists of foreign countries on the "most-favored-nation" basis, or to grant to certain ones the minimum tariff rates or to refrain in certain cases from increasing the rates of conventional tariffs. The slate is clean, and it remains to be seen whether there will be re-written in large degree the "most-favored-nation" provisions, or whether discriminations and tariff wars are to prevail.

Present indications are that the attempt will be made to work out in each country a flexible system, leaving it free to change its policy at will and in all respects. A striking illustration of the desire for stronger and more flexible tariff provisions is seen in the Japanese anti-dumping law (July, 1920) which provides that "in case of imminent danger to industries of importance in this country by reason of imports of goods at unreasonably low prices" the Commission on Dumping is to impose a special surtax, not exceeding the difference between the reasonable market price and the quoted price. In Australia a bill is pending, whose provisions are somewhat less drastic, and in Great Britain and elsewhere there is an evident disposition on the part of manufacturers to obtain the condemnation, as "dumping," of all importations at prices which they can not meet. That is, if through any change of conditions at home or abroad the tariff fails even temporarily to exclude important importations of foreign goods, they would have them stopped by administrative action. The desire for greater flexibility is seen also in the new intermediate schedule of Australia and in the authorization (1918) of the French government to concede, in negotiating commercial treaties, rates between those of the general and minimum schedules.

A tendency may be noted, especially in the British Dominions, to follow the lead of the United States in establishing a permanent commission for the scientific study of tariff problems. Elsewhere there are semi-permanent and semi-political commissions engaged in tariff revisions. In France the co-efficients of increase are regulated by a large inter-ministerial commission.

The tendency to rely upon other than tariff measures for the control of trade was very pronounced during the war,

when embargoes, prohibitions, licenses, rationing systems, government requisitions, monopolies and price regulations were relied upon. Even the trade of neutrals was controlled through their need of allied shipping and of bunker coal and by blacklisting and financial measures of various kinds. To a considerable degree the war restrictions persist in Europe, though most of them are professedly temporary.

Some of the tendencies toward more drastic control of trade than was afforded by the pre-war tariff systems are:

(1) The protective and preferential system in regard to dyestuffs, used since the war in the British Empire and now the law of the United Kingdom, is a general prohibition tempered by the licensing of such classes of imports as are not satisfactorily produced within the empire. It is not improbable that the same method be applied to other key industries.

(2) Government fiscal monopolies, which have concerned chiefly tobacco, matches and salt, have been extended to new objects, especially in Italy.

(3) There has been considerable development of direct governmental ownership in competitive industries. The British Government has invested millions in the Anglo-Persian Oil Company, in the British Dyestuffs Corporation, and in several minor companies. New South Wales is building ships; Tasmania is developing electrical power; the Australian states are apparently about to organize semi-governmental corporations for the manufacture of woollens. The Australian government also is financing and handling the wheat crop.

(4) Monopolistic combinations are the order of the day. Since the war huge banking and industrial amalgamations have succeeded one another in Europe, some of them being international in their scope. The German organizations which, at the outbreak of the war, were found in control of the chemical industries, of non-ferrous metals, and of other commodities, were displaced by Allied organizations or governments rather than disintegrated. Com-

bination and monopolization have meant and will mean an extension of government control.

(5) The movement for the nationalization of coal and other commodities means the substitution of direct government action for that of individuals or combinations. Even without nationalization, Great Britain has been supplying coal at three different prices, the lowest (said to be an unprofitable rate) for domestic consumption, and the intermediate for allied countries. Recent international agreements in Europe have enumerated the kinds and quantities of materials or manufactures which the parties to the treaty are to exchange.

(6) Differential export duties, which have been used in the comparatively unimportant Portuguese, Spanish and Italian colonies, have recently been extended in the British colonies in a new and menacing manner. Following the policy which had been abandoned in the Philippine Islands before the war, the British have introduced in certain colonies differential export duties on important raw materials, selecting those in which they have a more or less complete monopoly. In some cases the rates are, or were expected to prove, prohibitive, which was never the case with the Philippine duties. The chief point, however, about these duties, is that their object is not revenue nor is it the control of the shipping and entrepôt trade, or merely the encouragement of general trade with the mother country; but the object is to obtain for the British Empire, insofar as the world is dependent thereon for its raw materials, the monopoly of the industrial processes of tin smelting, expression of palm kernel oil, and the tanning of hides and skins.

To conclude: While protectionist sentiment has been greatly increased by the war, and while there have been increases in most of the world's tariffs within the last two years, the industrial and protectionist nations whose tariff policies are of real significance have removed restrictions upon their freedom of action without, as yet, adopting a permanent policy. The signs indicate a period of exaggerated pro-

tectionism, beginning with high tariff rates, proceeding to more direct and drastic means of excluding foreign competition in manufactured articles, and basing itself finally upon the monopolistic control of the earth's raw materials. The explosive feature of the situation lies in the extension of international monopolies and of direct government control over necessary raw materials—coal, oil, iron, non-ferrous metals, fertilizers, timber, wool, cotton, hemp, jute, hides and vegetable oils. Because of its enormous extent and the number of materials of which it dominates the world's supply, the British Empire—which was allowed to attain such size and importance largely because of its profession and enforcement of a free-trade policy—presents the crux of the present problem. That the right of a sovereign state to pursue a monopolistic policy is legally unassailable offers no solution, for some of the world's most momentous conflicts have grown from the irreconcilability of unassailable legal rights with widespread beliefs in natural rights. But those excluded will not have to base their claims to participation in the distribution of raw materials entirely upon natural rights. As Sig. Tittoni¹ reminded the Council of the League of Nations, the Allies, at the Economic Conference of Paris in 1916, promised

¹ *La Revue de Genève*, November, 1920. Sig. Tittoni says: "One may well ask if it was worth the trouble to make such a fuss before and during the war about German 'dumping' to attain after the war a system of excessive protectionism which renders more uneven pre-existing inequalities [in the natural resources of nations] and creates new ones, multiplying the chances of rivalry and of conflict among the nations." After referring to Article XXIII of the League Covenant, he exclaims: "What irony to look at the actual régime of monopoly and excessive protection! How many obstacles and commercial barriers!"

It is hardly necessary to state that the promise to "open their markets" had nothing to do with free trade; it was followed merely by special concessions to the trade of certain belligerents.

to open their markets reciprocally, and Article XXIII of the Peace Treaty guarantees "freedom of communications and of transit, and equitable treatment for the commerce of all members of the League."

The present drift is toward narrow nationalistic policies and the resultant wars; the situation demands the united consideration and coöperation of the world's most far-sighted and broad-minded statesmen.

Discriminatory Duties on Imports in American Bottoms

By ABRAHAM BERGLUND
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DISCRIMINATORY duties on imports carried in American vessels have been a feature of our tariff legislation from the establishment in 1789 of a national policy governing foreign trade to the present time. During much of this period such duties have, for the most part, been rendered inoperative by reciprocal treaties with practically all the commercial countries of the world, mutually exempting from such discrimination the goods carried in the vessels of the contracting nations, or by provisions in the laws themselves excepting from their enforcement articles imported in the ships of countries levying no discriminatory rates against goods carried to their ports in American bottoms. The Merchant Marine Act recently passed by Congress and signed by the President provides for the termination of treaties or conventions which restrict the right of the United States to impose discriminatory duties in favor of imports entering this country in American vessels. The evident purpose of this enactment is to encourage trade in American bottoms as a means of protecting and enlarging our mercantile marine.

While discriminatory legislation of this character avowedly aims at the establishment and upbuilding of a national mercantile marine, its ultimate object is the development of foreign commerce. The belief that trade fol-

lows the flag and that the vessels flying the flag of a country are agents in the development of its commerce is a popular and deep-seated one, and finds pretty general expression in the commercial policies of the leading countries of the world today. It is, however, in large measure, a survival of a period when the association of a national or communal shipping organization with the development of foreign trade was necessarily closer than at the present time, and when the separation of the functions of common carrier from those of purely mercantile operation had not gone so far as they have today. In the Middle Ages the "active"¹ trade of such commercial cities as Venice and Genoa and of the towns of the Hanseatic League was closely connected with their shipping policies. Thus, at Venice

¹ In mediaeval commerce "active" trade signified the carriage of goods to foreign lands and the establishment there of commercial agencies. It implied the control of the transportation of the articles of commerce to such countries. Where goods were carried by foreigners to one's city or country and commercial transactions carried out by foreign agencies the trade was characterized as "passive." The trade of Venice, for example, with Constantinople, Beirut, Alexandria and northwestern Europe was active—i.e., the articles of commerce were carried to and from these places in Venetian galleys and contracts made through Venetian agents at these ports or regions. The overland trade of Venice with Germany was mainly "passive," as the German brought his goods to the city and carried on his transactions at the *Fondaco dei Tedeschi*.

from about 1300 to 1500 A. D. the sailing of the Flanders galleys was strictly regulated by the Venetian senate. Separate voyages were as a rule prohibited. This regulation was practiced in the interest of safety, both as a protection from piracy and as a means of mutual help in case of accident. It was also a feature of the politics of a community whose economic basis was foreign trade. The galleys that carried the articles of commerce were as much a part of the city's trading operations as was the sale of the articles themselves.

With the growth of the large commercial companies of the fifteenth, sixteenth and seventeenth centuries in England, France and the Netherlands, the close association of shipping and foreign trade persisted, largely because vessel operation and commerce were carried on by the same people. The merchants belonging to such organizations as the Eastland Company, the Merchant Adventurers, the Levant Company and the various East India companies, either individually,¹ or through these organizations, owned the vessels that carried their goods. It was on account of this association, as well as on account of the growth of economic nationalism or mercantilism, that the Navigation Acts became such a prominent feature of the commercial policy of England in the seventeenth and eighteenth centuries. These acts,

¹ It should be remembered in this connection that most of these commercial concerns began as "regulated" companies, *i.e.*, as associations of individuals who had been granted charters by their governments giving them as an association certain exclusive privileges for carrying on trade between the home country and certain foreign lands. The members of these associations, however, carried on their trading operations severally, losing or gaining as individuals. Eventually the "regulated" company evolved into a joint stock company. The English East India Company began its existence as a "regulated" company but adopted the joint stock company principle in 1612.

among other things, restricted or tabooed the carriage of articles of commerce to or from England in foreign vessels. The British mercantile marine, as far as possible, was to perform this function. It must, therefore, be fostered, not only because it would obviate the necessity of paying foreigners for the transportation of English goods, but also because a large national mercantile marine meant an extensive foreign trade.

ENGLISH NAVIGATION ACTS

Before discussing the provisions contained in American tariff acts discriminating against goods imported in foreign vessels a few observations should be made concerning the English Navigation Acts, as certain features of these acts have been embodied in our own legislation. The beginnings of the English Navigation Acts antedate by some centuries the development of mercantilism as a national policy. The earliest of these laws go back to 1381 and 1390. They ordained that no merchandise should be shipped out of the realm except in British ships on payment of forfeiture. These laws and their successors till about the middle of the seventeenth century remained for the most part unenforceable. The great Navigation Act of 1651, passed under Cromwell and aimed primarily at the shipping and commercial interests of the Netherlands, stands out as a landmark in British commercial history. This well-known act provided among other things that all products "of the growth, production, or manufacture of Asia, Africa or America, or any part thereof . . . as well of the English plantations as others" should be imported into England or its territories only in British-built and British-manned vessels. Articles grown or made in Europe could be shipped to England only in the vessels of the pro-

ducing country or in British ships, except silks transported overland to the northwestern coast of the continent.¹

Later navigation acts added to the monopoly of shipping that of colonial commerce and markets.² These acts with certain modifications practically continued in force down to the time of the American Revolution. The loss of her American colonies combined with a gradual change from the mercantilistic attitude toward foreign trade resulted in a freer shipping policy on the part of England, although discrimination against foreign vessels and the goods carried in such vessels continued for several decades into the nineteenth century.

American tariff legislation began while the spirit of the Navigation Acts still influenced British statesmen. While the first acts were modest compared with more recent legislation in the duties they exacted from imported articles, discriminatory rates were imposed in the interest of goods carried in American bottoms. The ostensible purpose of these provisions was the upbuilding of the American merchant marine, which in colonial times had formed a considerable fraction of the entire British shipping.³ In the words of Chancellor Kent:

The United States have imitated the policy of England and other commercial nations

in conferring peculiar privileges upon American-built ships and owned by our own citizens. The object of the Registry Acts is to encourage our own trade, navigation and shipbuilding by granting peculiar or exclusive privileges of trade to the flag of the United States, and by prohibiting the communication of these immunities to the shipping and mariners of other countries.¹

AMERICAN TARIFF ACTS

The first general tariff act, passed by Congress in July, 1789, provided for a 10-per cent discount in rates below the general import duties where goods from foreign countries were

imported in vessels built in the United States, and which shall be wholly the property of a citizen or citizens thereof, or in vessels built in foreign countries, and on the sixteenth day of May last, wholly the property of a citizen or citizens of the United States, and so continuing until the time of importation.²

In addition to this discrimination the Act of 1789 gave the maximum protection to American shipping engaged in the trade with the Orient. An import duty ranging from 6 to 20 cents per pound was imposed on tea when shipped directly from India or China in American bottoms. When transported from Europe to the United States in American vessels, the corresponding rates ranged from 8 to 26 cents per pound. The duties on tea shipped in foreign vessels ranged from 15 to 45 cents per pound. All other Oriental products carried to the United States in foreign bottoms bore a duty of 12½ per cent ad valorem, which was about double the rates imposed on the corresponding goods transported in American vessels.³

On account of the lack of sufficient revenue from the duties imposed by the Act of 1789 material increases were made in the rates prescribed by the

¹ Macpherson, *Annals of Commerce*, II, pp. 442-444. Lindsay, *Merchant Shipping and Ancient Commerce*, II, p. 183.

² The Navigation Acts did not interfere with colonial ship-building and shipping. In fact, they rather tended to foster these industries. It was the regulations with reference to enumerated and non-enumerated commodities, to trade with the West Indies, and to the manufactures permitted in the colonies that made these acts so irritating to the settlers in the New World.

³ At the time of the outbreak of the American Revolution about one-third of the British shipping engaged in foreign trade was colonial built. Bogart, *Economic History of the United States*, p. 96; Alan Beer, *Commercial Policy of England toward the American Colonies*, Chapters 4-8.

¹ Kent, *Commentaries*, III, p. 139.

² Act of July 4, 1789, sec. 5.

³ *Ibid.*, sec. 1.

law of 1790. Similar preferential duties were prescribed on Oriental goods shipped direct to the United States in American bottoms as in the Act of 1789. A notable change in the latter law was the substitution of a 10 per cent addition to the general rates on goods "imported in ships or vessels not of the United States, except in the cases in which an additional duty is hereinbefore specially laid on any goods, wares, or merchandises, which shall be imported in such ships or vessels"¹ for a 10 per cent reduction on articles imported in American bottoms. This 10 per cent addition to the normal rates in the case of imported merchandise carried in foreign vessels was also provided for in the laws of 1792² and 1794.³

In addition to these higher duties on imports transported in foreign ships legislation was enacted imposing discriminatory tonnage taxes on the vessels themselves. In 1789 these tonnage dues were 6 cents per ton on vessels built and owned in the United States or on foreign-built vessels owned on and after May 29, 1789; 30 cents on ships thereafter constructed in the United States but partly or wholly owned by foreigners; and on all other shipping, 50 cents per ton.⁴ In 1804 a light-money tax of 50 cents per ton was imposed on foreign vessels, and this rate was increased to \$1.50 per ton in 1812. Like the discriminatory duties against goods shipped in foreign vessels these added tonnage and light-money taxes on the vessels themselves were later rendered inoperative by reciprocal treaties.

From 1794 to 1815 the addition of a 10 per cent duty to the normal rates on goods imported in foreign vessels re-

mained a feature of our tariff laws. Exceptions, however, were made in the case of merchandise belonging to British subjects and brought into the ports of the United States on the northern and northwestern frontiers and similar importation into the ports on the Mississippi River or its branches from "New Orleans and other parts of Louisiana and Florida." Such merchandise paid the same rates of duty whether carried in American or foreign vessels.¹ After the purchase of Louisiana in 1803 goods carried in French and Spanish ships were similarly privileged in the ports of Louisiana for a period of 12 years from the ratification of the treaty ceding this territory to the United States.²

The trade relations between England and the United States during this period were strained, largely on account of the troubles growing out of the French Revolution and the rise of Napoleon. Until 1797 the trade between this country and Great Britain was not on a permanent footing but regulated by Orders in Council, and this regulation caused considerable uncertainty. Another source of irritation to Americans was the failure to admit American vessels into the British West Indies. The Jay Treaty, signed by Lord Grenville and John Jay in November, 1794, but not made effective until 1797, was an attempt to remedy this situation.³ The commerce between Great Britain and the United States was put on a more permanent basis, American ships being allowed to carry into Great Britain such produce of their own states as was admissible in English vessels. A tonnage duty was levied against American vessels and discriminating tariff rates on goods carried on them "in or-

¹ Act of August 10, 1790, sections 1 and 2.

² Act of May 2, 1792, sec. 5.

³ Act of June 7, 1794, sec. 4.

⁴ Act of July 20, 1789.

¹ Act of May 1, 1802.

² Act of February 24, 1804.

³ Lindsay, *Merchant Shipping and Ancient Commerce*, II, p. 354 and III, pp. 80, 81.

der to countervail any duties levied on goods imported into the United States by British ships." With reference to commerce between the United States and the British West Indies, the treaty provided only for the admission into the ports of the latter islands of American vessels not exceeding seventy tons burden. Such vessels were allowed to carry "articles of United States produce as were not generally prohibited," and, at the same time permitted to export therefrom to the United States any produce of the West Indies legally exportable thereto in British vessels.¹ A curious proviso was appended to this clause:

That this liberty only extends to a direct intercourse between the British West Indies and the ports of the United States and the United States engage to prohibit the carriage of molasses, sugar, coffee, cocoa, or cotton² in American vessels, either from his Majesty's dominions or from the United States to any other part of the world.

This treaty though ratified by Congress caused great dissatisfaction among the American people, partly because of its failure to provide against certain abuses which eventually led to the War of 1812 and partly on account of some of the provisions above stated giving undue advantage to English merchants and shipping companies. The arrangement with regard to the opening of the trade with the West Indies appears to have fallen to the ground. A later treaty in 1806 contained a recital that the high contracting parties had been unable to arrange the terms on which

the commerce between the United States and the West Indies was to be carried on.

In 1815 a new step was taken in shipping legislation by establishing reciprocal liberty of commerce. That year a law was passed repealing

so much of the several acts imposing duties on the tonnage of ships and vessels, and on goods, wares and merchandise imported into the United States, as impose a discriminating duty of tonnage between foreign vessels and vessels of the United States, and between goods imported into the United States in foreign vessels and vessels of the United States.

This repeal was to take effect whenever the President of the United States shall be satisfied that the discriminatory or countervailing duties of such foreign nation, so far as they operate to the disadvantage of the United States, have been abolished.¹

In accordance with this act a treaty with England a few months later provided that no discriminatory tonnage taxes or import duties should be levied against the vessels of either country or their cargoes.²

The treaty with England abolished differential duties and tonnage taxes only in the case of the direct trade between the contracting parties. Where the vessels of either nation touched the ports of a third country and took on additional cargoes they were again subject to discriminatory rates. The ports of the British West Indies too remained practically closed to American vessels. For the next fifteen years various negotiations were entered into for the purpose of allowing goods to be carried between this country and the British West Indian and South American possessions in British and American vessels on the same terms. The conduct of these negotiations was accompanied with many irritating inci-

¹ Lindsay, *Merchant Shipping and Ancient Commerce*, III, pp. 60, 61.

² The provision with regard to cotton in this treaty has excited much comment. It should be remembered, however, that cotton did not become an important article of American export until some years after the invention of the cotton gin in 1793. The great importance of American cotton was not realized until several years after the signing of this treaty.

¹ Act of March 3, 1815. S. L. III, chap. lxxvii.

² Lindsay, III, pp. 60, 61.

dents and in 1823 Congress authorized the President to prohibit all trade and intercourse with the British possessions in America.¹ In May, 1830, Congress passed a law giving the President the power to open the ports of the United States to British vessels on the same terms as American vessels whenever he should have "evidence that Great Britain would open the ports of her colonial possessions in the West Indies, South America and the Bermudas for a limited or indefinite time to United States ships at the same rates of impost and tonnage and with the same cargoes as British vessels," and allow exports from these possessions to any other country in American vessels on the same terms.² In November of the same year a British Order in Council was issued repealing various earlier orders restricting the rights of American vessels and authorizing them to carry goods to and from the British possessions mentioned on the same terms as English vessels. One result of the opening of the British West Indies to American vessels was a great increase in trade. Imports from these islands in 1830 amounted to only \$1,901.³ In 1840 they had increased to \$2,965,585.

While the matter of discriminatory duties and tonnage taxes in the British West India trade was being settled, conditions were shaping themselves for a more liberal policy with reference to foreign shipping generally. The law of 1815 and subsequent acts up to 1828 applied only to the direct trade between this and the foreign countries with which we had reciprocal treaties. In

accordance with the spirit of the English Navigation Acts, which limited the European trade to British vessels or the vessels of the country producing the goods and wares which formed their cargoes, foreign ships carrying goods to the United States which were not of the production of the country whose flags they flew were subject to discriminatory imposts and tonnage dues. In 1828, in conformity with an act of Congress, the practice of applying these reciprocity treaties and exemptions only to vessels engaged in the direct trade was definitely abandoned.

After the passage of the laws of 1815, 1828 and 1830 treaties were negotiated with practically all the maritime countries of the world exempting from discriminatory duties the cargoes transported in the vessels of the several contracting nations. As a consequence the clauses of later tariff acts providing for a 10 per cent increase over the general rates of duty where the imported product enters the United States in foreign vessels have been of no practical importance. For over three-quarters of a century goods produced in foreign countries have for the most part been subject to the same customs duties, regardless of whether they have come in vessels of American or foreign registry.

Various reasons have been assigned for the abandonment of this form of protection to American shipping. It has been suggested that Congress evidently believed that the American merchant marine had reached a point where it no longer needed this protection. It has also been urged that foreign commerce, while continuing to increase, was becoming relatively less important than the domestic trade. With the diversion of much American capital to works of internal improvement and domestic manufacture it has been claimed that public interest in

¹ Act of March 1, 1823. Proclamation prohibiting this trade was issued March 17, 1827.

² Act of May 29, 1830.

³ This limited trade, of course, was due to the restrictions put upon it in the United States on account of the failure of Great Britain to allow merchandise to be exported from the islands in American vessels on the same terms as British vessels.

the merchant marine declined, and a gradual modification of the tariff policy in the interest of home industries ensued.¹

While these reasons were factors in the situation they were not in the judgment of the writer the most important. It is true that in the early decades of the nineteenth century there was great confidence in the ability of the American mercantile marine to meet foreign competition without any protection—a confidence which remained strong until after the Civil War. An increasing amount of American capital was also going into other industrial channels. There was furthermore some movement after 1815 in the direction of protection to home manufactures. The confidence in the competitive strength of American shipping, however, went back to colonial times and was not, therefore, the growth of the second and third decades of the nineteenth century. While capital was indeed being invested in other industries a sufficient amount went into the maintenance and upbuilding of the national mercantile marine to give the United States about one-third of the world's vessel tonnage just before the outbreak of the Civil War. The change, too, in tariff policy after 1815 in the direction of protection reached a climax when the Act of 1828 was passed, after which the general movement until 1861 was in the direction of reduced duties and freer trade.

GROWTH OF THE AMERICAN MERCANTILE MARINE

The growth and maintenance of the American mercantile marine were partly dependent upon a policy of equitable treatment in foreign ports. The discriminatory duties and tonnage

taxes levied against American shipping by England, both in Great Britain and in the British West Indies, were keenly felt and resented in this country. It was the realization of the seriousness of such a handicap that led to the adoption of the policy of reciprocal liberty in the United States.

The policy of exempting from additional tariff duties the cargoes of vessels belonging to such foreign countries as granted corresponding favors to the goods carried in American bottoms continued till the passage of the Merchant Marine Act of 1920. During the intervening period following the adoption of this policy of reciprocal liberty, tariff laws generally contained a section or paragraph imposing an additional 10 per cent duty on all goods imported in vessels of foreign registry, but with the proviso that the additional duty should not apply to "goods, wares and merchandise, imported in ships or vessels not of the United States, entitled by treaty, or by any act or acts of Congress, to be entered in the ports of the United States, on payment of the same duties as are paid on goods, wares and merchandise imported in ships or vessels of the United States."¹ A further discriminatory rate of 10 per cent was sometimes imposed on imported merchandise coming from any port or place east of the Cape of Good Hope in foreign vessels, subject, however, to the usual exemptions by treaty or Congressional enactment.²

In addition to the discriminatory provisions mentioned there is still in recent tariff laws the enactment, that no goods, wares, or merchandise, unless in cases provided for by treaty, shall be imported into the United States from

¹ Act of April 27, 1816 and following tariff acts including that of 1913.

² Act of Aug. 30, 1842, sec. 11; Aug. 5, 1861, sec. 3; June 30, 1864, sec. 17.

¹ These reasons are mentioned in Johnson and Huebner, *Principles of Ocean Transportation*, p. 413.

any port or place, except in vessels of the United States, or in such foreign vessels as truly and wholly belong to the citizens or subjects of that country of which the goods are the growth, production or manufacture, or from which such goods, wares, or merchandise can only be or most usually are, first shipped for transportation.¹

The penalty for violation of this provision is forfeiture of vessel, cargo, tackle, etc. This law like the preceding is subject to the usual exemptions by treaty or special acts of Congress. The provision is of no practical importance, but is interesting as a survival of the spirit of the Navigation Acts.

The American merchant marine continued to be an important factor in the world trade up to the time of the Civil War. Certain contemporaneous changes in the building and operation of ocean vessels² were slowly undermining the strength of American shipping, at least that part of it engaged in international trade. From the close of the Civil War till after the outbreak of the World War the merchant marine of the United States was a relatively insignificant influence in international commerce. Before 1914, however, there was a marked revival of interest in this country in shipping, with many proposals for encouraging its development. In the Tariff Act of 1913 there was in addition to the usual provision for a 10 per cent increase of duties over normal rates on articles imported in foreign vessels another clause granting a discount of 5 per cent "on such goods, wares and merchandise as shall be imported in vessels admitted to registration under the laws of the United

States" accompanied with the usual proviso in regard to treaties.¹ While no discounts under this clause have been granted to imported articles carried in American vessels,² the insertion of this subsection in the Act of 1913 is some indication of the rising influence of shipping interests.

The World War gave a great impetus to the growth of the American mercantile marine. From June, 1914 to June, 1919, according to Lloyd's *Register of Shipping*, it increased from about 5,500,000 gross tons to 13,091,773 gross tons,³ and in June, 1920, amounted to 16,049,289 gross tons. Most of this great development has taken place in that part of our shipping engaged in foreign commerce. The movement to conserve this growth and maintain on the high seas the position attained during the war resulted in the passage in 1920 of the Merchant Marine Act. Among its several provisions for the development and maintenance of American shipping is the following:

Sec. 34. That in the judgment of Congress, articles or provisions in treaties or

¹ Act of Oct. 3, 1913, sec. 4J, subsections 1 and 7.

² The question arose whether or not a 5 per cent discount should not be allowable on all goods carried in American vessels and vessels of foreign countries with which we had reciprocal treaties. It was held by the Supreme Court of the United States that the provision was operative only when goods came in vessels of countries with which the United States had no agreement. 243 U. S. 97 of 1917.

³ Lloyd's *Register of Shipping*, 1914-1915, II, pp. 960, 961 and 1919-1920, II, p. 960. The figures for 1914 in Lloyd are 4,330,078 gross tons steam, and 1,038,116 net tons sail. Adding the gross tons of steam vessels and the estimated gross tons for sailing ships the total would be approximately 5,500,000 gross tons. This figure does not include a considerable tonnage of river craft, barges, motor boats and certain wooden vessels on the Great Lakes. These are added in the published figures of the reports of the Commissioner of Navigation, whose total for 1914 is 7,928,688 gross tons instead of 5,500,000.

¹ Acts of Oct. 1, 1890, sec. 18; Aug. 27, 1894, sec. 15; July 24, 1897, sec. 23; Aug. 5, 1909, sec. 16; Oct. 3, 1913, sec. 4J, subsection 2.

² These changes were concerned with the substitution of iron and later steel for wood in the construction of ships and steamships for sailing vessels.

conventions to which the United States is a party, which restrict the right of the United States to impose discriminating customs duties on imports entering the United States in foreign vessels and in vessels of the United States, and which also restrict the right of the United States to impose discriminatory tonnage dues on foreign vessels and on vessels of the United States entering the United States should be terminated, and the President is hereby authorized and directed within ninety days after that act becomes law to give notice to the several Governments, respectively, parties to such treaties or conventions, that so much thereof as impose any restriction on the United States will terminate on the expiration of such periods as may be required for the giving of such notice by the provisions of such treaties or conventions.

This act, and especially the provision quoted, has excited a great deal of attention abroad, and the announcement of its passage has been followed by threats of retaliation. It is reported that no action has yet (December, 1920) been taken with a view to terminating existing treaties, but such action is anticipated and provided for in the law.

The expediency of reverting to this discriminatory practice may be briefly considered with reference, first, to the protection of the mercantile marine of the United States so rapidly developed during the war, and second, to the advisability of resorting to such means in order to attain the end sought.

1. The need of a national mercantile marine is not based upon the same grounds as formerly, and barring the importance of such a fleet in furnishing auxiliary cruisers in time of war, is not so urgent.¹ The functions of merchant

and ocean carrier have become more differentiated than formerly. While large manufacturing and trading companies often own the vessels which transport their goods, this combination of functions is now largely confined to companies producing bulky commodities in large quantities, which find that by owning and operating their own vessels they avoid much loss of time and uncertainties with reference to proper space and service. Neither is the association of government and carrying trade so close as formerly. The commodities shipped by the merchants of one country are now often carried safely and expeditiously in vessels flying the flag of another.

The government of the world, however, is carried on by nations, and when foreign commerce is discussed people think of it in terms of national units. A large merchant fleet flying the flag of a country on the high seas and in foreign ports does exert some psychological influence. It advertises the country.

With these considerations in view we see the United States at the close of a world crisis possessed of a greatly enlarged merchant marine. Has this transformation been in accord with the economic conditions of the country or is it merely an artificial, and therefore temporary, development, due to a great world emergency? This question has been discussed elsewhere by the writer¹ and just a few observations will be made here.

The decline of American shipping after 1860 is connected with the introduction of iron and later steel vessels and the substitution of steam for sailing tonnage. It was due mainly to the higher cost in this country of iron, steel and coal. Until the late nineties steel plate and structural steel were

¹ See a fine statement of this side in Referendum No. 29 on Report of Committee on Ocean Transportation Regarding Government-Owned Merchant Ships—Arguments in the Negative, Chamber of Commerce of United States of America.

¹ *The American Economic Review*, June, 1920, "The War and the World's Mercantile Marine."

higher in price here than in England. For a long time bunker coal at our Atlantic seaboard was also more expensive. Added to these handicaps were greater labor costs both in building and in operating vessels. Before the war broke out these conditions had changed. Steel and coal had become appreciably cheaper, and while labor cost remained high it formed a smaller fraction of the total cost of operation than in earlier years.¹ The recent change from the use of coal to that of oil also favors the operation of vessels by American concerns.²

On the other hand for two generations the United States has been a country whose principal industrial interests have been devoted to land pursuits. As a result the country has a very limited sea-faring population and now lacks the experience which certain European countries have in the conduct of shipping operations on an international scale. We have, therefore, a hiatus between economic position and experience; and it is to bridge this gap that some protection may be temporarily necessary.

2. Is, however, a return to discriminatory import duties the best means of safeguarding our newly acquired position as the second maritime nation of the world? A very common experience with industrial advances, as with political and social reforms, is the occasional reversion to practices which have been outgrown or found out of

¹ It is difficult to give any definite percentage of the total cost of operation which is properly attributable to labor engaged directly in the sailing of a vessel. It is, however, smaller than commonly supposed. Ten per cent is a large proportion for coal-burning freight vessels.

² There is, of course, involved in the statement the question of the exhaustion of oil resources and the possible monopolization of oil in other parts of the world by foreign concerns. For some time the British monopolization of the Mesopotamian and Persian fields was reported, but this has since been denied.

harmony with more highly developed social conditions. Reciprocal freedom of trade was attained only after much struggle with a growing realization that the practice of discriminatory rates invariably led to retaliation. Already measures have been taken by Japan to retaliate if certain provisions in the Merchant Marine Act, including the one quoted above, are carried out,¹ and hints of similar reprisals are made in Europe.

Another fact to be considered in this connection is the general character of our export trade and the probable effect of foreign retaliatory measures. In the calendar year 1919 over 33 per cent of our exports consisted of manufactures ready for consumption; about 12 per cent, of manufactures for further use in manufacturing; and over 25 per cent, of foodstuffs partly or wholly manufactured. Only about 20 per cent consisted of crude materials for use in manufactures—the bulk of it being raw cotton.² In other words about 70 per cent of our exports are manufactured articles, in many lines of which retaliatory measures on the part of foreign governments are likely to undermine the American competitive position. Furthermore, coming at a period when the foreign exchange situation is likely to favor the foreign producer, such a step appears ill-advised.

There is, however, a justifiable resort to discriminatory legislation of the character considered above in cases where American vessels are practically excluded from trade by foreign conference lines. To illustrate: The United States imports a large amount of Egyptian cotton. All of this cotton comes to this country in foreign vessels. There are American ships operating in

¹ *The Economic Review* (England), Nov. 19, 1920, p. 29.

² *The Statistical Abstract*, 1919.

the eastern Mediterranean, but thus far practically every American vessel leaving Alexandria goes away empty. This loss of freight is ascribed to a powerful British combination which excludes the ships of this country from any participation in its conferences or trade. Similar exclusive combinations exist in other parts of the world.¹ The imposition of discriminatory customs duties against the products carried in the vessels of countries whose shipping organizations or conferences clearly exclude American companies from any participation in trade would be justifiable and probably feasible. Treaties granting reciprocal liberties to the shipping of the contracting parties might be so framed as to provide some protection against discriminatory practices on the part of private combinations.²

While the resort to discriminatory tariff rates as a regular policy is a reversion to an earlier practice that the commercial world has outgrown it does not follow that some aid or pro-

¹ *Hearings before Committee on Commerce*, United States Senate, 66th Congress, 1st Session, pp. 299, 300; Testimony of J. H. Rosseter of Emergency Fleet Corporation. *The Sunday Star*, Washington, D. C., January 2, 1921.

² It is difficult to suggest anything definite here as conditions vary greatly. In many parts of the world American vessels participate in trade on the same terms as vessels of other countries. The sudden emergence of the United States as a maritime power has excited some concern on the part of other countries and some large shipping combinations are apparently attempting to "swat infant shipping industries."

tection should not be rendered to the new shipping. Many suggestions have been made, among which may be cited the establishment of coaling stations abroad along important trade routes,¹ assistance to shipping companies in securing experienced agencies in other countries to obtain cargoes,² the creation of free ports in Virgin Islands, Porto Rico, Panama and Philippines,³ temporary subsidies to lines operating between the United States and regions whose future growth promises to pay for the outlay,⁴ and the sale of government-owned ships at prices low enough to induce purchasers to invest and the absorption by the government of the difference between such prices and the war cost as a war loss.⁵ A noteworthy fact in connection with suggested aids is the almost entire absence of any demand for general ship subsidies.

It is not the purpose of this article to discuss any of these suggestions or others that have been urged. Some of these proposals will, in the judgment of the writer, mean more for the upbuilding of the American merchant marine, if properly carried out, than discriminatory tariff rates against commodities imported in foreign vessels, and will not cause the irritation which discriminatory legislation is bound to incur.

¹ *Hearings before Committee on Commerce*, U. S. Senate, 66th Congress, 1st Session, pp. 425 and 426.

² *Ibid.*, pp. 421, 422.

³ *Ibid.*, p. 388.

⁴ *Ibid.*, p. 391.

⁵ *Ibid.*, pp. 607-609 and 750-754.

The Railroad Rate Discrimination Provision of the Merchant Marine Act 1920

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RECENT legislation relating to the United States merchant marine has raised questions relating to the regulation of railroad rates in the interest of American shipping which are of much immediate importance. These questions are connected with the interpretation and administration of section 28 of the new shipping law.

Section 28 of the Merchant Marine Act of 1920 forbids rail carriers to quote export or import rates in connection with ocean vessels not documented under the laws of the United States which are lower than rates on like commodities, moving similar distances over the same route, in the same direction, but remaining exclusively within the United States. The law provides, however, in mitigation of the severe rule laid down in its opening sentences, that the Interstate Commerce Commission may suspend the operation of the act in the matter of export and import rates when the United States Shipping Board certifies to it the lack at specified ports of an adequate supply of American vessels to handle the business offering. The suspension is to continue until, in the opinion of the Shipping Board, the supply of American vessels has become adequate.

The first proposal for legislation of the character here summarized appears in section 30 of H. R. 10378 as reported to the Senate by Senator Jones, of Washington, in May, 1920. Mr. Dean, general counsel for the Shipping Board, says that this matter of discrimination in rates was brought to his attention in the middle of the year 1919, but that nothing was done at that time nor later, until Admiral

Benson became a member of the Board. Indeed, a representative of the Seattle Chamber of Commerce who called upon Senator Jones as late as March, 1920, was told that, although some legislation with regard to export rates had been suggested, there was nothing of the sort in the pending Merchant Marine bill, and that the matter was dead. The same information was given to Mr. H. A. Dunn, of San Francisco.

When, in March, 1920, Admiral Benson became chairman of the Shipping Board, the situation changed. The new chairman was earnestly in favor of developing an American merchant marine. As a means to this end, he promptly decided that any discrimination which might be granted by railroads to export traffic should be limited to traffic which made use of American ships. To make his point of view effective, Admiral Benson had an amendment prepared, which he sent, with a letter strongly urging its adoption, to the Senate Committee on Interstate and Foreign Commerce. This was after the formal hearings on the Jones bill had been closed, but while the bill was still in conference. Mr. Dean discussed the amendment with Senator Jones, who thought well of it. The proposal was adopted first by the subcommittee in charge of the bill, then by the whole committee, and still later it was passed by Congress itself as section 28 of the Merchant Marine Act of June 5, 1920. Such is the history of this particular provision of the law.

The arguments in favor of section 28 are all based upon the assumption

that the time has come when federal assistance should be extended to an American merchant marine. Both Senator Jones and Admiral Benson have been outspoken on this point. The supporters of the measure were doubtless originally influenced by the fact that the Government possessed some seven million tons of shipping, which could neither be sold at an acceptable price nor be operated by the Government at a profit. This tonnage had not been acquired for commercial reasons, but it represented, none the less, a large investment on which it was desirable to earn a fair return. The fundamental justification for section 28, however, in the eyes of its original promoters was, unquestionably, their conviction that its effect would be to build up an American marine in private as well as in Government hands which would afford profitable employment for American capital, and would advance the interests of American foreign trade. In this respect, indeed, section 28 was only one of a number of provisions in the new law looking toward the protection of American shipping. Other sections in the Merchant Marine Act designed for the same purpose provided for the extension of the coastwise laws of the United States to the Philippine Islands, the repeal of the statute authorizing the admission of foreign-built vessels to American registry, and for the partial exemption of shipowners from income and excess profits taxes for ten years on condition that they annually invest in ship construction an amount equal to the taxes which they would otherwise have paid to the Government.

OBJECTIONS TO SECTION 28

It is natural that objections to section 28 should come from persons who oppose subsidy legislation as such.

Yet this section is also vigorously opposed by those who believe in strengthening the American merchant marine but declare that an attempt by the method here proposed will fail in its purpose, or will succeed only after causing intolerable loss to certain geographical districts. Because of the necessary brevity of this discussion we will consider only objections of the second type.

On May 28, 1920, the San Francisco Chamber of Commerce wired a message to its representative in Washington, declaring that the merchants in San Francisco were emphatic and unanimous in the belief that no restriction of any nature or kind in reference to the flag carried by the ship or in direct reference to rail import and export rates should be imposed. The Chamber added, in explanation, that it felt that the operation of section 30 (section 28 in the law as finally enacted) would immediately divert tonnage from the Pacific Coast to eastern seaports and would also provoke retaliatory measures by foreign countries. This dispatch was followed by dispatches to other chambers of commerce in the Far West, and by the issuance of a questionnaire in June, which was circulated among trading and transportation companies in San Francisco, as well as among chambers of commerce north and south. Other coast cities gave similar prompt consideration to the pending legislation.

The result of this preliminary discussion, and of an active correspondence which accompanied it, was that it presently became the deliberate and official judgment of the merchants of San Francisco, Seattle, Tacoma, Portland and San Diego, that section 28 of the Merchant Marine Act would work to the injury of ports located upon the Pacific Coast in the following ways.

1. It would divert tonnage from western to eastern seaports.

2. It would divert tonnage from American to foreign ports.

3. It would provoke retaliatory legislation by foreign countries.

4. As a consequence of the dislocation of trade which would follow a reduced ocean tonnage and retaliatory legislation abroad, the application of section 28 would lead to a reduction in westbound freight movements over the transcontinental railroad lines which in time would produce a scarcity of cars for eastbound business, and possibly would make necessary an increase in local railroad rates.

The Pacific Coast cities thus took, in May and June, 1920, the position of active critics of the new law. Los Angeles, it may be added, did not join in this expression of opinion, but stated the view that American business men would prove able to control the routing of their exports, and that section 28 would have a desirable effect in encouraging American shipping.

I am inclined to doubt if the passage of the Jones bill will lead to damaging legislation on the part of foreign countries. It is true that the bill has already provoked caustic comment in the English press. The London *Fairplay*, for instance, terms the Merchant Marine Act, and section 28 of that act in particular, a direct attempt to drive other nations from the shipping business of the United States, and hints broadly that England will take corresponding action with respect to services which that country controls. It is clearly possible that some hostile legislation abroad will have to be encountered. On the other hand, the strong position of the United States in international trade, and the fact that section 28 treats all foreign nations without distinction, may be trusted to keep this reaction within bounds. Neither China nor the west coast of South America possesses important

merchant marines which will impel either of them to reprisals upon the commerce of the United States, while countries which deal with the Atlantic seaboard of the United States at present suffer no handicap there from the new law. The principal marines to be affected in the near future are the Japanese and such of the English vessels as ply upon the Pacific; and opposition from these sources public opinion in the United States seems disposed to disregard.

RATE MAKING AND THE FAR WEST

With respect to the probable diversion of traffic from ports on the western seaboard, however, the Pacific Coast cities have made out a clear case, at least under present conditions as to supply of ships. To understand the situation, one must remember that export and import rate making is of more practical significance to the Far West than to any other part of the country, and that, accordingly, interference of any sort with export or with import rates has there a more far-reaching effect. In fact, there are no export rates in force on movements from the interior of the United States to the Atlantic seaboard outside of the longstanding differentials to Boston, Philadelphia and Baltimore; and while export rates are quoted to the Gulf cities, the differences between domestic and export rates are not so great on southern as on western hauls, nor are the rail distances so great in the South as they are in the West.

A very good illustration of the importance of western export rates may be found in the case of rates on iron and steel. Before the recent increase in charges, the rail rate from Pittsburgh to New York on iron and steel was 27 cents a hundred pounds, the ocean rate from New York to the Orient was 89 cents per hundred pounds; the com-

bined ocean and rail rate from Pittsburgh to the Orient was, therefore, \$1.16. The domestic rate on iron and steel from Pittsburgh to Seattle was \$1.37½, or 21½ cents in excess of the total charge from Pittsburgh to the Far East via New York. In order to secure some portion of the Pittsburgh export business, however, carriers west of Pittsburgh quoted an export rate of 60 cents per hundred pounds, which, added to an ocean rate of 60 cents, made a total of \$1.20 per hundred pounds for the movement via the Pacific seaboard of the United States as against a rate of \$1.16 via New York. Under this adjustment Seattle was able to handle \$2,500,000 worth of iron and steel bound for the Orient during the first three months of 1920, as against some \$13,000,000 worth which traveled via New York. It is perfectly evident, however, that except for the low export rate not a pound of export steel would have moved west from Pittsburgh.

The Portland Chamber of Commerce points out that what was probably intended when the authors of the Jones bill forbade carriers to quote export or import rates in connection with vessels not documented under the laws of the United States was that operators of foreign-owned vessels should be compelled to absorb the difference between domestic rates (which, under section 28, would obtain on exports or imports moving in foreign-owned vessels) and preferential export rates (which would continue to obtain on imports or exports moving in American-owned vessels) so as to enable American-owned vessels to compete advantageously with foreign-owned vessels. Foreign carriers can not, however, absorb a differential when it amounts to more than the entire ocean rate, and the result is likely to be, if section 28 is actively enforced, that foreign-owned vessels will abandon Pacific ports in favor

either of Canadian ports or of ports on the Atlantic. If this occurs, moreover, it will be logical to expect diminished business for the transcontinental rail carriers, and dislocation in the traffic and rates on these railroads.

ATTITUDE OF INTERSTATE COMMERCE COMMISSION

Defenders of the policy of railroad discrimination in favor of goods carried in American vessels have taken the position that, though the law, when enforced, might tend to produce certain undesirable diversions of tonnage, such as the diversion of oriental freight from Seattle to Vancouver or from San Francisco to New York, both the Shipping Board and the Interstate Commerce Commission will take positive action to prevent such diversion. It is not clear what the Shipping Board will be able to do in such matters except to allocate vessels, and, possibly, to modify ocean rates. It is, however, plainly expected that the Interstate Commerce Commission will prevent oriental freight originating in the United States from leaving the continent via Canadian ports by refusing to allow American rail carriers to quote through or export rates on business so routed; it is also expected that the Commission will be called upon to exercise its power of embargo to check the diversion of freight from American to foreign ports or from ports in the western United States to ports in the eastern section of the country. This point of view is explicitly presented in a statement by Admiral Benson under date of July 2, 1920, from which the following extract is taken:

The Interstate Commerce Commission is aware of the necessity for preventing the distorting of traffic upon the railroads of the United States such as would be accomplished by an effort by foreign carriers to divert the export and import traffic now

moving between Pacific Coast ports of the United States and the Orient, either to British Colombia or to ports of the Atlantic.

The movement of a certain share of the Oriental business over western American rail lines is necessary to prevent increased costs of transportation of foodstuffs between the West and the centers of population. . . . Any effort on the part of foreign carriers to accomplish the diversion of such business would be undoubtedly considered an "emergency" under which the Interstate Commerce Commission would act through absolute embargo, if necessary, to prevent such effort from being successful.

Surely no sane citizen of the United States in full possession of all the facts would be so unjust as to charge that any department of the Government would do other than take whatever action was necessary to protect the interests of the United States and maintain undisturbed the movements over American rail lines, the balancing of which is so essential to the public weal.

The position of Admiral Benson as set forth in the preceding paragraphs is understandable. It may be permitted, however, even to a "sane" person to doubt whether the Interstate Commerce Commission can control the movement of that great volume of traffic originating in the territory close to the Great Lakes and to the Canadian border, and, further, whether the Commission is ever likely deliberately to divert business from ports on the eastern seaboard solely in order to distribute it among other sections which for one reason or another may desire a share. Certainly this may be done if eastern terminals are unable to handle the freight; but inability of this sort is a temporary matter, and traders in the West frankly disbelieve in the willingness of any branch of the Government to force traffic out of its natural channels over any considerable period of time in order to protect the interests of any group of men.

Of some interest in this connection is the fact that the Tacoma Chamber of Commerce passed a resolution in August, 1920, requesting the Shipping Board to call upon the Interstate Commerce Commission to establish immediately and enforce an embargo against the movement of all freight through Atlantic and Gulf ports via the Panama Canal route to trans-Pacific ports, and to direct the movement of all such freight through Pacific Coast ports via the transcontinental railroads. The Shipping Board refused to comply with the resolution on the ground that the subject was one which should be taken up directly with the Interstate Commerce Commission.

When Congress passed the Merchant Marine Act, the prompt protests of western cities led, on June 14, to the suspension of section 28. This suspension was ordered by the Interstate Commerce Commission at the instance of the Shipping Board, and was to last for ninety days. Following up their original success, Pacific Coast shippers organized to secure a further suspension. An indefinite suspension with a long notice of withdrawal was preferred. There was talk of a conference between representatives of coast cities, and statistics were compiled showing that out of 258 trans-Pacific departures from Pacific Coast ports during the six months ending May 31, 1920, 124, or nearly one-half, had sailed under foreign flags. Nothing came of the proposed conference, and no meeting occurred between Admiral Benson and western shippers, but an additional suspension was secured until January 1, 1921, under such conditions that western men now (December, 1920) believe that there is no immediate likelihood of enforcement of the law. They are probably correct in this; certainly the expressions of Senator Jones and of Admiral Benson have been

emphatic to the effect that the disputed section will not be applied until American tonnage is adequate. In a formal statement on July 2, 1920 (already mentioned), Admiral Benson said:

As section 28 is to be used only where there is ample American tonnage to handle the export commerce to any particular port in a foreign country . . . we can not conceive how anyone who has studied the law can assume that the Shipping Board would make any general application of this section.

A little over a month later Senator Jones told a group of port representatives at Tacoma, Washington, a very similar thing, namely, that he did not propose to drive foreign ships from American ports until there were American ships to take their places. Still another important expression of policy in this matter is to be found in the reply of the Shipping Board to the resolutions of the Tacoma conference requesting that the provisions of section 28 of the Merchant Marine Act be suspended indefinitely, and that six months' previous notice of the date of its effectiveness be given. The Board declined to comply with the resolution, but observed:

You may be assured that the provisions of this section (section 28) will be administered by the Shipping Board with the utmost discretion, and that, as provided in the bill, they shall not be enforced unless and until adequate American shipping is available. In view of all this, it is felt that

it is better to suspend the operation of this section from time to time, rather than to cause an indefinite postponement of its effectiveness.

There is some difficulty in determining whether the present conciliatory attitude of the Shipping Board is due to the vigorous protests of western shippers, or whether the policy now announced is the one which was in mind from the beginning. The absence of any public discussion of section 28 until after the Merchant Marine Act had been passed leaves the ordinary citizen in the dark in matters such as these. It does, however, seem reasonably probable that the clauses in the act relating to export and to import rates will not now become operative for a considerable time, and that when the section containing them is enforced the Shipping Board will proceed cautiously with full attention to the adequacy or inadequacy of American shipping at each and every port affected. I question whether the Shipping Board would have exercised the same degree of deliberation had the western communities been less well organized, and the grounds for their objections less forcibly presented. As a matter of fact, Pacific Coast cities believe that section 28 is dead, and no longer press their opposition to it. The section is not dead, yet it is to be hoped that the recent full discussion of its possibilities has lessened the danger that this law will be arbitrarily applied.

Government Restriction and Promotion of Foreign Trade

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REFLECTION will convince one that war or fear of war lies back of nearly all advocacy of protective tariffs, subsidies to merchant marines, bounties to exports and most other forms of direct and indirect encouragement or restriction of trade in so far as such advocacy is for the public welfare rather than for special interests. If all danger of war is removed, some parts of the infant industry and allied arguments will remain, but most of them and practically all of the other arguments in so far as they are alleged to be economic rather than military fall to the ground. In this class are the home market and wage arguments with their several variations.

The military argument has usually been called political rather than economic, though in reality it may be considered just as much of an economic argument as any other. Expenditures for armies and navies have drained the resources of nations and peoples from time immemorial. It is true that this has meant an awful waste of money and strength and blood and in that sense it has not been economical. But an army and a navy may be considered economic, and not merely political as opposed to economic, in much the same way as police, firemen, shepherds, safety vaults, locks, roofs, clothing and other protective means and devices are economic. Where there is danger of fire, a wise man is willing to spend something to prevent it, to lessen its damage or, if it actually occurs, to help recoup his losses. In certain cold and humid regions, farmers go to great expense to protect grain and stock by building shelter, whereas in dry and

warmer regions, much less or no shelter may be built for equally valuable property.

EXPENSES FOR MILITARY PROTECTION

One might ask, what expense for military protection is justifiable? That depends upon the cost of the protection and the relative value of what is to be protected. Ten dollars per capita per year might or might not be justifiable for police protection. Few cities would consider \$1,000 per capita per year justifiable, even though it were known in advance that the higher expenditure would result in a 10 per cent decrease in the number of priceless lives lost through murder. Likewise with the diversification of industry, the protection and development of key industries, the subsidizing of a merchant marine and all other subsidized activity that looks towards national self-sufficiency and preparation for war or against war and its effects. We should remember that in so far as any such preparations are economical immediately and for their own sakes, they need little or no subsidizing; that most of them involve a cost; in some cases, very great and lasting costs. Before we assume these costs we should inquire very carefully whether the costs involved are likely to be justified. What will be the direct and indirect costs in adopting the proposed protection entailed? What is the danger of war? What losses will be probable in case of war? Will this proposed preparation really be effective? Are there more effective ways in which we can direct our efforts and resources?

All of these questions involve personal judgments concerning highly problematical things and, consequently, it is impossible to arrive at a definite and exact scientific determination of many of them. The danger of war and the best methods of preventing it or of minimizing its evil effects are in large measure matters of individual opinion. If you think they are greater than I do, it is not likely that I can prove to your satisfaction that you are wrong and I am right. You are willing to go to a greater cost for insurance than I am. What the masses of people in the United States will consent to is likely to determine how far we will go in this or that direction, though their mass judgment may be very incorrect. The better the masses are informed, however, the more the probability of wise judgments.

But the judgment or the feelings of the masses are likely to be determining not so much in the initiating as in the checking of policies initiated by leaders, especially by the leaders of industry. Looked at from certain points of view, we may say that we owe modern civilization to the leaders of industry. In their search for profits they have increased the welfare of the whole race but they are also chargeable with many backsets. One of the most far-reaching fallacies connected with the whole free-trade and laissez-faire school is the implication that men in pursuing their own interests promote thereby at the same time the interests of society at large. Perhaps this is generally true, and Adam Smith and others who preached revolt against the excessive governmental restriction of their day did the world a good service. But there are many exceptions to this rule. While the farmer benefits himself and society at large by producing large crops of corn and wheat, and the shoemaker does likewise for himself and

society when producing shoes efficiently and cheaply, it does not follow that because the saloon-keeper's business is profitable to him that it is also profitable to society, nor that because a trust increases its profits by limiting supply rather than increasing it that such a practice is beneficial to society, nor that because a railroad makes profits by preventing other railroads from getting good terminal sites that society at large is benefited thereby.

Similar arguments by protectionists are no sounder than those used by devotees of laissez-faire. Because protection benefits some industry, or the men who conduct it, is no proof that it benefits society at large. The subsidy that is given to the industry is frequently subtracted in full, or more in the form of higher prices, from the consumers of the nation at large. If the protected industry is efficient as compared with other industries, it needs no such subsidy and, if it is given, it is an out and out contribution of net profit to the proprietors; if the industry is inefficient so that it needs such a subsidy, then the gift of consumers goes to pay for inefficiency of proprietors who do not gain as much as the consumers lose. The nation sustains a net loss.

Many manufacturers realize that they can extend their plants and pay better wages if they have protection, hence they argue that business in general and wages in general would be better if protection were generally practised. But this is an argument from the specific to the general that leads to false conclusions. One might as well make the following argument: If the United States Treasury would donate to my business \$100,000 each year, I would be more prosperous, and could extend my plants and employ more labor at better wages. If this is true of me it would be true of my neigh-

bor in his business also, and of his neighbor and so on until it included all the businesses in the United States, or the world. But one asks, where do all of these hundreds of thousands of dollars which the Treasury hands out to manufacturers come from? From the pockets of the people in the form of taxes or higher prices. How much better off are they by reason of high wages if all the increase in wages comes out of taxes or prices which they themselves paid? If there is a common pool into which every one puts money and out of which every one takes money, the ones who can get out more than they put in are better off because of the arrangement; the ones who take out less than they put in are necessarily worse off. Society as a whole neither gains nor loses anything, assuming there is no expense attached to running the management and no leakage from the pool. Usually, there is some expense involved in operation, and the greater the number and the more inefficient the industries that are sustained (the others need no sustaining), the greater the leakage and the loss to society in general, even though particular industries do manage to get away with more than they put in and even though they divide part of their gain with their employes in the form of increased wages. If they are bona fide infant industries well adapted to the country, then later on they can pay back into the common pool enough to make up for the excess they previously took out.

This reasoning on the part of industries that want protection is very similar to make-work arguments on the part of labor which the manufacturers are very quick to condemn. Laborers see that if they limit their output, it will take more laborers to do a given amount of work; and the more laborers the employers will need, the

higher the wages all laborers will get. Any employer can point out the fallacies in the argument without hesitation, but the laborer has frequently been led to follow the manufacturer with his full-dinner-pail fallacy.

Industry and commerce in all of the leading nations of today are organized for profit, for the personal profit of owners and managers, and government is considered the handmaiden of business rather than business the handmaiden of government. Business men seeking their own profit, and often really thinking that they are also promoting the interests of their country, take steps and advocate business and government policies that inevitably provoke war. As regrettable as it may be, the common attitude of the business man as well as of the laborer regarding his own business or work is to make the most possible for self and to think very little about social welfare. In matters that do not touch his profits or wage immediately, he may have a fairly well developed social conscience, but in these immediate matters he frequently has little effective regard for the public welfare, or he can easily argue himself into believing that what is good for him is the thing for him to do. Probably we are all much alike under similar circumstances, but it is important for social welfare that there be a large enough body of intelligent and socially-minded opinion on each vital matter of policy to prevent interested parties from leading the nation into pitfalls. Frequently contrarily interested parties are even more effective than disinterested and unbiassed ones.

Prior to the Spanish-American War, the people of the western hemisphere had been so busy exploiting the resources of a new continent that they paid little attention to old world matters. Their industries had been pre-

dominantly extractive, though for about a century the people of the United States had been developing manufacturing rather rapidly. These new manufacturers had to contend with those of Europe, especially with those of England, and they called for protective tariffs to shut their competitors out of the home market. By the end of the nineteenth century, leading United States manufacturers had progressed to a point where they could take care of the home market; in fact, many of them were producing a surplus for export. America's comparative isolation was at an end.

IMPORTANCE OF FOREIGN MARKET

The importance of the foreign market has been dramatically impressed upon the people of America since 1914. The interests of American manufacturers, farmers, laborers, merchants, of everybody are seriously affected by the inability of Europeans and others to buy what they vitally need. Many of our people are beginning to see as they never saw before that America can not be isolated and commercially independent, that order and credit and the production of goods in Europe are important factors in determining American welfare. Some see also that if European and other countries pay their debts to the United States that the United States must have a surplus of imports rather than a surplus of exports as prior to the war. In fact, if the principal of the debt is neither increased nor decreased and only the interest is paid, the United States must accept a surplus of imports and have a so-called "unfavorable" balance of trade. That is what some call the penalty and what others consider the advantage of being a creditor country. Americans are likely to hold up their hands in horror when the flood of imports begins to arrive. The cry for

protection may be even louder than it is now from some sections. But why should a country or a man object to having a debtor pay his debts? He must pay, if he pays at all, in goods or in money; and of what use is the money unless we can purchase goods (imports) with it?

Many former protectionists are seeing too that checking imports checks exports. A country town can not sell to surrounding farmers unless the farmers can sell what they produce. If the town puts a tariff upon imports from the country, and thereby checks farmers' sales to the townspeople, it at the same time checks its merchants' sales to the farmers. Foreigners can not afford to buy from us indefinitely unless they can sell to us also.

Retaliation by the foreign tariff makers is not to be overlooked either. France has recently imposed upon automobiles the same import duty as does our Underwood tariff law of 1913. American automobile manufacturers have recently urged lower duties here with the hope of having reciprocal action taken by European countries. Dispatches from Washington state also that similar positions will be taken by American manufacturers of steel, typewriters, cash registers, sewing machines, adding machines, boots, shoes and other exports.

Free-trade doctrines by northern interests heretofore in the vanguard of high protectionists and the South clamoring for cotton and sugar tariffs are among the least of the new situations to confront the Republican leaders. Powerful commercial groups are to urge upon Congress that foreign markets and not protection are essential.¹

At the same time large American agricultural interests are asking for the

¹ Washington despatch to Minneapolis Tribune, Dec. 30, 1920, p. 10. This reminds one of the British free-trade movement about a century ago.

Government to arrange to give Europe credit and to pass tariffs shutting out importation of wheat, wool, sugar and other agricultural products into the United States. Senators and congressmen from eastern states say that their manufacturing, labor and other constituents need protection from falling prices just as much as do western and southern farmers. The above instances illustrate the fact that most legislation, whether for the purpose of encouraging or restricting foreign trade, or whether for some other purpose, commonly originates with and is put through by interested parties and sections, usually producers rather than consumers, and that it is opposing producing interests that check their proposals rather than any great body of actually disinterested champions of the social welfare. This is not to deny that there are such champions, but few of them make laws. This does not mean, however, that lawmakers are especially different from other people under similar conditions.

CONCLUSION

What, then, is our conclusion as to what the United States Government should do to encourage foreign trade? In general, that it should count the costs of any proposed action, consider the probable results and decide whether the results will probably justify the costs. We should not let special interests drag the country into doing something which may be of benefit to those particular interests, but injurious to the country as a whole. *Laissez-faire* may be just as disastrous as regulation; discrimination is necessary. Effectiveness in production is much more important than artificial encouragement of continued inefficiency. The possibility of war must not be overlooked, but doing away with activities which provoke war will

lessen the costs of preparing for possible war, to say nothing of the costs of actual war.

To be somewhat more concrete. The organization of our departments of state and commerce and other governmental establishments having to do with foreign trade can be much improved. Coördination, a trained service, adequate salaries, consistent policies, foresight and ability applied to the problems can do wonders. We might give a few illustrations relative to matters of general policy. In the opinion of the present writer, the United States might well encourage such infant and key industries as the new dye and chemical industries, but protection to American producers of steel, shoes, cotton, wool, wheat and many other products is unnecessary and unwise. A tariff of thirty cents per bushel on Canadian wheat, which is advocated by many, seems as ridiculous as a means to hold up prices of United States wheat when both Canada and the United States are exporting a surplus. How will it affect the world or Liverpool price which practically all agree determines the price in both the United States and Canada?¹

The United States may well go to some expense to encourage an American merchant marine, partly because it promises some real commercial advantages that may repay part or all of the costs of temporary protection or subsidy, but chiefly as a means of defense, if needed. If it were not for the possibility of war the marine might be left to stand on its own bottom. The fact that we now actually have a merchant marine makes the situation different from what it would be if the question were shall we or shall we not build one. If it is to remain an Amer-

¹ The writer does not contend that it will have no result, but the effect would be principally upon millers.

ican merchant marine, the great problem is how are we to subsidize it and get the results we want, for all subsidies involve great dangers. Limitation of sale to Americans involves a subsidy to the buyers in the selling price if that is lower than it would be to foreigners. If it is not lower, then the limitation is useless. No other subsidy seems necessary for vessels sold by the government to private parties, if the government follows a consistent policy from the start, because the buyer would discount all disadvantages in the purchase price. It is both claimed and denied that the La Follette Seaman's Act handicaps the operation of American ships. There are numerous other alleged disadvantages and advantages of American construction and operation. The writer can not discuss all of these; nevertheless, he believes that it is practical and wise to work out a merchant marine policy in connection with our commercial and naval policies.

The United States is much interested also in the peace and prosperity of European and all other countries. She is especially interested in the settlement of the reparations question and the establishment of better credit conditions in Europe, also in what foreign and commercial policies the various nations are to pursue in the future. She is interested in the elimination of unfair commercial practices by the traders of various nations including her own. The United States does not permit every interest in the United States to follow its own sweet will regardless of the rights of others. An Interstate Commerce Commission, a Federal Trade Commission, numerous other federal and state commissions, courts and officials are engaged all the time in preventing unfair practices in order to promote the general welfare. The anarchy in the inter-

national field where every nation is sovereign and wants to pursue its selfish national interests endangers civilization. The leading nations of the world threaten to wear themselves out fighting each other as did the Greek city and later nations; in fact, as have practically all civilizations before us. A proper international organization which has its beginnings largely in mutual conference and publicity can accomplish much and form the basis of a more perfect organization later.

The United States is in a peculiarly strategic position to promote wiser commercial policies throughout the world. But her financial strength, her large markets, her great natural resources, everything she has, should not be used as clubs to secure favors but rather as means of eliminating discriminations, unfair practices and selfish policies. The United States has stood for the open door in the Far East. Let her stand for this policy consistently, not only in the Far East, and not only when other nations threaten to close the door, but also when she herself has control of the door. Privilege and discrimination are at the root of war and war is the greatest foe of commerce and of civilization. Civilization can not exist without commerce and can not progress without increasing commerce. The writer does not believe that wars are ended any more than he believes that all murders and robberies are ended, but he believes they can be minimized and in the course of time be made as improbable as wars between our federal states are at present. The United States Government can do nothing greater to promote foreign trade than to promote world peace; and if our statesmen rise to the occasion, we can do much in this direction despite the fact that we have been wasting much precious time and good will.

The Perils of the New Economic Nationalism

By E. M. PATTERSON, Ph.D.

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AN examination of any of the current discussions of the economic questions facing the United States shows an unmistakable tendency to fall back upon the terminology, the methods of approach and habits of thought of the nineteenth century and the earlier years of the twentieth. This is due in part to the fact that our economic organization is one that was adapted to the type of activity which was dominant during that period, in part to the stimulus given all nationalistic movements during the war and in part, probably, to force of habit. An analysis of some of the leading tendencies of the nineteenth century is accordingly necessary to an understanding of the present.

While admitting the importance of other than economic influences in precipitating the great war recently ended, the strictly economic aspects may properly be emphasized. Ignoring, then, geographical, racial and political influences, what were the strictly economic ones?

ECONOMIC ASPECTS OF THE WAR

The Industrial, or perhaps we should say Economic, Revolution brought about changes that are well known, but whose significance is apt to be overlooked, merely because the facts are so frequently reiterated. In the middle of the eighteenth century England, France and Germany were still chiefly agricultural countries. In England much land was still in the hands of small holders. In France, most of the peasants were legally free, and a considerable proportion were land-holders, but there were many oppressive restraints on the person of the laborer

and on the land. Germany was more agricultural than was France, but the methods she employed were antiquated, and the country as a whole poor. Of the three countries, England had most fully developed manufacturing, but the domestic system was still prevalent. English commerce, too, was much more advanced than that of other countries in its volume, its geographical range and its variety. It developed five- or six-fold in the eighteenth century, and was largely in staple goods. French trade was small in volume, was largely European and was chiefly in fancy goods. The trade of Germany was limited and sluggish, greatly hampered by tariffs and tolls.

The Economic Revolution, which occurred in the latter part of the eighteenth century and continued well into the nineteenth century, appeared in somewhat different forms and degrees and at different times in the various countries. Investments in agricultural operations became larger, machinery and technique were improved, enclosures increased, and land was concentrated in larger holdings in England. In France, serfdom was abolished, land laws were relaxed, estates broken up, small holdings developed, and agricultural machinery and scientific methods introduced. In Germany, the peasants were released from serfdom: the size of land holdings decreased in the southwest of the country, becoming larger in the northwest, and quite large in the northeast.

Changes in manufacturing were much the same in all of the countries we are considering. The factory system was introduced, and iron and coal became more important. Urban pop-

ulation grew more rapidly than that of the country. There appeared differences of opinion between employers and laborers, while conditions among the latter became in many instances deplorable. Along with this was a great increase in volume of output which made its way throughout the world over improved transportation routes. Local highways and canals grew in number and size; large waterways, like the Suez Canal and later the Panama Canal, were constructed; steam power, the telegraph and the telephone came into extensive use. With this development of trade, certain changes occurred in the tariff policies of the leading countries. During the period from 1846 to 1860, England definitely shifted to the free-trade basis. For a time the other countries of Europe followed in the same direction, but soon there came a reaction under the leadership of Germany, and the European continent embarked on the development of protective tariffs. As markets were extended, the desire to control them increased, and opportunities for rivalry and friction grew.

CAUSES OF STRUGGLE

The struggle that resulted was one whose intensity may be attributed to four leading causes. The first was the closer contact of the rival commercial and industrial interests in many parts of the world. Instead of exploiting widely separated countries, the representatives of the rival nations found themselves facing each other in many different regions. In Persia, in Egypt, in Manchuria and elsewhere, contacts were closer than ever before.

A second influence was the large amounts of capital involved in these great operations. Sums hitherto unheard of were at stake, and the control of these vast amounts of wealth was

concentrated to an important degree in the hands of a few groups. Modern banking and investment methods resulted in a somewhat wider distribution of ownership, but the actual control of the funds rested chiefly with a relatively few men in London, New York, Paris, Berlin and Vienna. This volume of capital, closely concentrated, gave an intensity of feeling to the rival groups that exceeded anything previous.

A third influence was the size of the plants that rapidly developed. Large-scale production increased by leaps and bounds. The existence of a large plant very definitely brings about certain results because of the importance of uninterrupted operation. Any irregularities mean periods of unemployment with frequent labor disturbances, and executives are usually anxious not to have unnecessary difficulties with their employes. A large establishment has many "overhead" expenses which must be met even if the plant is not in operation, and consequently the managers of such an enterprise are anxious not to operate on part time or to shut down entirely. The large volume of goods turned out can not all be sold to advantage at home, and foreign markets are eagerly sought. Preferential treatment in these markets is desired and often secured and as a result, bad feeling between rival groups is frequently developed. Large quantities of raw materials in regular supply are demanded to keep the factories in operation. Coal, iron, cotton, wool, rubber and lumber are illustrations. Control over these sources of supply becomes important. If these commodities are located in other countries, an attempt to secure this control may lead to serious controversies. Along with the shift of population from country to town and the relative decline of agri-

culture, foodstuffs are imported for home populations in larger and larger quantities, and dependence on outside sources of supply increases with a consequent desire to control these sources.

A fourth reason for the intensity of the struggle is to be found in the corporate form of organization which grew so rapidly in the nineteenth century. Its advantages are numerous, and need not be listed here. Some of its features, however, encourage intense rivalry. The real owners of a given corporate property are the stockholders and bondholders while the management is in the hands of officers and directors. The owners are not closely informed regarding methods and practices followed by the corporation, and are frequently indifferent to them, provided they secure regularly their interest and dividends. This very fact places on the officers and directors a very heavy pressure. Bondholders and stockholders are very critical if their income is cut off, and are quick to blame the officers and directors in charge. This pressure is at times heavy, and helps to explain many questionable corporate practices in international as well as in domestic transactions.

FORMS OF STRUGGLE

With these influences operating to make the international conflict intense, the struggle took four different forms. The first of these was hostile tariffs and tariff wars. Illustrations are numerous, but outstanding among them may be cited the tariff war between Austria-Hungary and Roumania from 1886 to 1890, and the one between France and Italy in 1890.

Second in the list may be mentioned the scramble for concessions. Rival groups, usually representing different countries, engaged in a struggle to secure concessions for the construction

of railroads, the development of mines, the cutting down of forests and the building of docks, all to be developed under contract with the granting government. While the risks in many of these enterprises were great, the value of the concessions was often enormous.

Third, closely associated with the securing of these concessions came the development of spheres of influence, and the process known as peaceful penetration. By an agreement explicit or tacit, the commercial interests of any one country are allowed by those of other countries a somewhat free hand in securing concessions in particular areas. These areas are known as spheres of influence. They have been clearly recognized in China. In 1907, England and Russia came to a very definite agreement over their respective spheres of influence in Persia. In later years, Germany considered Turkey as peculiarly within her sphere.

Fourth, may be mentioned methods of international financing. Loans made by the nationals of any country to the government, corporations or individuals of another country, are often a source of great profit. This gain arises in part through the rate of interest which is often sufficiently high to be of significance, and also through the gains to the banking syndicates who finance the loans through their sale of the securities to other parties. Because of the great profits frequently secured in this manner, rivalry between the banking houses of various leading countries was keen. Loans were often made for industrial or other productive purposes, but often they were for distinctly military uses, and in some cases the funds borrowed were squandered in royal extravagances. It has been frequently argued that the terms on which the loans were made are indicative of the risk involved. While this is true, it is

somewhat offset by the fact that the governments whose nationals advanced funds often brought pressure to bear on the borrowers to keep up payments. In case the debtor was slow in meeting his obligations, pressure was brought to bear on him and his government by the government of the country in which the creditor resided, a practice which seems to have originated with England, and has become a commonplace in international financing in recent years.

Along with this international financing, the borrowing country frequently contracts to buy supplies and to accept expert engineers from the country furnishing the funds, and often also accepts a financial advisor or advisors from the same source. This insures the purchase of supplies in the lending country with consequent gains to the manufacturers who furnish them.

The effects of this intense rivalry which appeared in these different forms were a scramble for colonial possessions and other difficulties which finally reached their climax in 1914. Throughout the period much injustice was done to the natives of the exploited countries, who were compelled to pay high taxes and otherwise bear heavy burdens; battleships, guns and ammunition were frequently sold by the corporations of a country to potential enemies. In general, the effect was to develop an ill-feeling that encouraged war and finally brought it about.

PLACES OF CONFLICT

A few words should be said about the places of conflict. In the eighteenth century and earlier colonies were desired by the countries of Europe on the assumption that they made the mother country economically independent, and helped to secure a favorable balance of trade. That these advantages were actual is not entirely

clear, but beginning in the latter part of the eighteenth century the situation was rapidly changed. The American Revolution took from Britain her thirteen American colonies; Portugal lost Brazil; and Spain gradually lost her American territories to Great Britain and the United States. Then came a reaction against colonization, and as late as 1870 the situation may be summarized by saying that "the New World had been discovered, colonized and Europeanized, but most of it lost." Little progress had been made in colonizing Asia, except by Great Britain in India, Holland in the Malay Archipelago, Spain in the Philippine Islands and Russia in Siberia. Still less progress had occurred in Africa. By 1884, England, France, Portugal and Spain were in possession of certain areas, but most of the continent was still under native control. Reference should, of course, be made to the ownership of Australia by Great Britain, and to the ownership by various powers of numerous islands scattered in all parts of the globe.

In the latter part of the nineteenth century colonial interest revived under the stimulus of religious, patriotic and economic motives, the economic motives being of a sort that have already been indicated in the earlier part of this article. The desire for markets, raw materials and foodstuffs; the fact that some colonies tended to discriminate in commercial policies in favor of the mother country (as for example, Canada in 1898 and the French colonies in 1892); the opportunities afforded to individuals for economic gain through investments in colonial areas; and finally, the belief that colonies are thought to afford an outlet for surplus population, all contributed.

The fact that some of these ideas were perhaps inaccurate would carry

more weight were it not for the further fact that they were so thoroughly believed. It may be that people emigrate to better themselves, and do not necessarily go to the colonies of their own home country. It is true that France had a declining birth-rate, and that emigration from Germany in later years was relatively slow. Nevertheless, these ideas regarding the advantages of colonial expansion were prevalent.

The fields of expansion were chiefly in Asia and Africa, and only a few need be referred to. Great Britain's interests in South Africa resulted in the Boer War; the conflicting interests of the French and the British in Egypt almost precipitated a conflict between their respective countries at the time of the Fashoda incident. England, France, Germany and Spain almost came to a clash over Morocco. In Asia, Japan dominated over China in war during the nineties, and fought against Russia successfully ten years later. England and Russia barely avoided a conflict by their agreement over Persia in 1907, war being averted only because of their mutual distrust of Germany. The Near East, which was the center of so much rivalry, was the spot where the conflict of interests finally precipitated the Great War.

CHANGES SINCE THE WAR

What change has come during and since the war? Are there grounds for feeling that the difficulties now are largely eliminated, or is the conflict apparently continuing? The recital of a few facts may help to answer the question.

That the countries of the world are ready to handle their tariff problems in a more conciliatory manner does not seem clear. In the earlier years of the war there occurred a number of incidents of significance. Pan-German

writers, under the leadership of such men as Rohrbach and Naumann, presented to their countrymen daring schemes of organization designed to make of Germany, Austria, Turkey and the Balkan States a powerful union. This union was to be bound together by a system of preferential tariffs in opposition to the rest of the world. On the Allied side came the Paris Economic Conference of June, 1916, at which were passed resolutions never formally approved by the countries represented, but which reflected the ideas of powerful groups within each of them. These resolutions brought a quick reaction in Germany, the leaders of that country declaring that the Paris Economic Conference confirmed all that they had been saying about the hostile intent of the Allies toward German economic life.

Among the committees appointed by the British Government to analyze and report on British policy following the war was the Committee on Industrial and Commercial Policy After the War, under the chairmanship of Lord Balfour of Burleigh. While the report of this committee was by no means clear-cut in favor of either free trade or protection, it emphasizes the latter view sufficiently to mark it as a change from the British outlook of the later nineteenth century. Paralleling these activities came the attempts of the British through Orders in Council to place restraints on the importation of goods into that country.

A few words of explanation may make clear the underlying reasons for the change in the British attitude. When England accepted free trade as her guiding principle in the middle of the nineteenth century, she was dominant in the industrial world. She had passed through the Industrial Revolution earlier than had the other European countries, and had quickly

gained a position of undoubted leadership. It was not until the latter part of the nineteenth century that this was seriously challenged. By that time the rapid growth of Germany and the United States had weakened her position in many directions. She began to feel the effects of their competition, not only in her foreign markets, but also at home, where American and German goods began to be sold. As a reaction from this, there came a revival of protectionist ideas about 1900, the movement being led by Joseph Chamberlain. Partly because the English people did not approve the abandonment of free trade, and partly because Mr. Chamberlain was associated in the minds of many with the conflict in South Africa, he lost, and resigned from office in 1903. The growth of a strong national feeling during the war and the present prospect of the dumping of German goods on British markets has given another stimulus to the "tariff reform" movement. It is not possible at this time to predict in any way the outcome.

In France patriotic feeling has run high, and along with it has been the conviction that the industrial interests of northern France prostrated by the war must be given an opportunity to recover. Attempts at restricting imports have, however, been accompanied by a great increase in the cost of living, which has jeopardized the position of the French Government. Whenever imports have been allowed to enter freely, French exchange has fallen so abruptly in the world's markets as to create problems of a still different character. In the United States there have, for somewhat similar reasons, appeared revivals of tariff discussions. The return of the Republicans to power under the leadership of men who are avowed believers in a high tariff, and the introduction of legislation

designed to furnish protection to the farmers and other interests who are suffering from falling prices, illustrate the tendency referred to.

THE NEW CONCESSIONS

Turning from the revival of tariff agitation to the struggle for concessions, we find a renewal of the old methods. Rival groups seek the favor of successive governments in Mexico; the British are declared to be seeking the privilege of building railroads in Persia; a world-wide scramble for oil is under way and an American financier returns from Russia with the story of enormous concessions from the government of that country. Concession-seeking seems not to have subsided, but to be as vigorous as ever. Perhaps it is no longer so dangerous, but already reports are numerous regarding differences of opinion among rival groups.

But how about peaceful penetration and spheres of influence? If we turn to the old places of controversy where adjustments have not clearly been made, what do we discover? Fifteen years ago Russia and Japan were at war because of their differences in eastern Siberia. Today, Japan is retaining control over a large section of former Russian territory in this very region, and only a confirmed optimist would take the view that another clash will not result.

In 1907, war between Great Britain and Russia was narrowly averted because of their differences in Persia, an adjustment finally being reached by the establishment of a sphere of influence in Persia for each of the two countries, these spheres including the larger and richer parts of that unhappy land. What is the situation there today? The war was hardly over and the Peace Treaty not yet completed before England negotiated a new

treaty with Persia. Like all such treaties there is nothing sinister in its terms, but it closely resembles previous agreements that were but preludes to complete economic and political control. At present writing the Persian parliament has not ratified this treaty, although it was signed nearly two years ago. In the meantime, the historic conflict in this region between the Russians and the British is continuing.

In the Near East Great Britain has assumed rights in Mesopotamia in a manner that has brought vigorous protests from the United States. France, Italy and Great Britain have signed an agreement clearly marking out spheres of influence for the first two in Asiatic Turkey. Great Britain's sphere is not defined in this treaty, but many have inferred that it includes all of Turkey not specifically assigned to France and Italy. Old rivalries and jealousies are in evidence, the chief change seeming to be the disappearance of Germany and the appearance of the United States.

ATTITUDE OF THE UNITED STATES

But what of the attitude of the United States toward other questions than that of oil in Mesopotamia? By the passage of the Webb-Pomerene Act we declared our intention to participate vigorously in a struggle for world trade, and then endeavored to carry the idea more fully into effect with the Edge Act. Having built a great fleet of merchant vessels to meet a world need, we now propose to use that fleet to further our own interests. Agitation for more restricted immigration, insistence upon higher tariffs and even the suggestion that American vessels be exempted from paying tolls when going through the Panama Canal, are among the measures being urged.

To recite these movements and to indicate their nationalistic tone is not

sweepingly to condemn them. Nevertheless as urged they are contradictory and dangerous, and are being pressed with a vigor that indicates we have now joined the other leading powers of the world in a struggle that may well be more intense and more destructive than the one culminating in 1914.

Reasons for the renewal of these struggles are not hard to find. For the most part they are the same as in the past, differing chiefly in their greater intensity. Raw materials are more needed than ever before, the necessity for markets is imperative, and food-stuffs must be secured.

NEW FORCES

Two influences are somewhat new. Prices fell abruptly in 1920 and are still on their way down. With depression upon us, with unemployment acute, the struggle will probably become more bitter than ever. Falling prices accentuate the difficulty.

The second new influence is the greater importance of the governmental rôle. In the past the contest was largely between individuals, corporations and groups of one country and those of another. As time passed governments interested themselves more and more, giving aid to their nationals directly and indirectly. Yet it was only in Germany that the part of the government was highly developed. In that country economic life was closely unified. Combinations were encouraged, manufacturers united their efforts to develop export trade, the banks coöperated in every possible way, and above all the government approved and actively assisted. Under its leadership and control the entire economic life of the country was organized and directed to the advancement of Germany in world affairs. Today the other countries of the world are organizing in a similar manner.

The contest is on a larger scale and whole countries are organized. The struggle is less between individuals and groups of different countries, but between nations.

Such an analysis is a discouraging one, but fortunately there are grounds for a more optimistic view. International movements are growing in importance. The League of Nations comes first to mind, but it is only one

of many. There are numerous organizations and movements of international scope and influence. Consortiums of capitalists, international labor organizations, shipping conferences and agreements are illustrations that can not be multiplied nor analyzed within the limits of this article. Fortunately, they are operating to offset the dangers that have been treated more fully. It is a race against time.

Book Department

REVIEWS

FOSDICK, RAYMOND B. *American Police Systems*. Pp. x, 408. Price, \$2.00. New York: The Century Company, 1920.

This book contrasts American and European police and the problems of American and European police. The author finds that the problem in America is more difficult than that in European countries because of the heterogeneity of our population. The history and development of America's police force are discussed. One chapter is devoted to the present form of police control, another to the special problems of police control such as responsible leadership, etc., and others, to removal of police heads, effect of commission government on the police force and the result of the city manager plan. The author quarrels with the commission plan of government and states that the city manager plan has not been in effect long enough to appraise its results.

The major portion of the book is taken up with discussion of the organization of the police department and problems as to the Commissioner or Director of Police, the duties of the Chief of Police, the problems of the rank and file, organization of the detective force and a chapter on crime prevention as part of the functions of the Police Department.

The author's conclusion is that our achievement in the field of police systems is sordid and unworthy. Many of his conclusions are too general to flow from his facts. Witness the following:

Nowhere in the world is there so great an anxiety to place the moral regulation of social affairs in the hands of the police, and nowhere are the police so incapable of carrying out such regulation. Our concern, moreover, is for externals, for results that are formal and apparent rather than essential. We are less anxious about preventing a man from doing wrong to others than in preventing him from doing what we consider harm to himself.

CLYDE L. KING.

University of Pennsylvania.

WOOFER, THOMAS JACKSON. *Negro Migration*. Pp. 195. Price, \$1.50 (paper); \$2.25 (cloth). New York: W. D. Gray, 1920.

I am permitted only a few lines in which to call attention to one of the best studies of Negro life in the rural districts of the South that I have seen. The author, a southern man, now field agent of the Phelps-Stokes Fund, is well-equipped. While he has followed statistical methods, he has given descriptive interpretations, and his work is easy to read. After describing the breakdown of the agricultural régime of slavery and the immediate readjustments made necessary by freedom, he considers the present agricultural opportunity. Here one finds an excellent account of the tenant system, its advantages and dangers. He then takes up the movements of population and finds that "on the whole, there is no cause for pessimism." Prior to 1910, the movement was largely from one rural district to another; lately, industrial centers have been the magnet. Sanitation, schools, protection from violence and injustice in the courts he considers the chief problems to be handled by the state governments. He sees certain evils in present practices, i.e., in the fee system to local officials: he recognizes the results of neglected childhood; he deplores the exclusion by the press of most topics relating to the Negro and the presentation of crime or humorous incidents as characteristic of the race, for he feels that democracy is being tested in the "task of working out a program under which two races may live side by side without conflict." A good bibliography is appended.

CARL KELSEY.

University of Pennsylvania.

NOTES

KELLOR, FRANCES. *Immigration and the Future*. Pp. xv, 276. Price, \$2.50. New York: George H. Doran Co., 1920.

So much has been published on the question of immigration that it is not easy to

find a new approach. This, Miss Kellor has done in an unusual way. In calm, dispassionate fashion she surveys the changed attitude of America towards world problems and shows how a new spirit has developed. The older immigration is sketched and the administration of the older laws reviewed. Then she outlines the racial opinion of the country as shown by the foreign press.

Part II discusses the varied relations of American business to immigration, foreign markets, savings and investments of immigrants, etc. In Part III, economic assimilation is considered and its difficulties indicated.

Miss Kellor has given us a book which should be read by all who are interested in the questions involved.

KNOWLES, MORRIS. *Industrial Housing*. Pp. x, 393. Price, \$5.00. New York: McGraw-Hill Book Company, 1920.

The author of this book brings to his task the technical knowledge of the successful engineer and the concrete results of his experience as Supervising Engineer in the cantonment construction at Camps Meade and M'Clellan and as Chief Engineer of the

Division of Housing of the Emergency Fleet Corporation. In his discussion of the scientific principles underlying successful housing projects he omits no important detail. In fact, nine of the thirteen chapters are given over to a consideration of such topics as streets and pavements, water supply, sewerage and drainage, waste disposal and gas and electric supplies. The book, however, is more than a discussion of those phases of the housing problem of particular interest to the expert. Throughout Mr. Knowles has evidenced his ability to envisage his problem as one concerned with factors other than steel, lumber and concrete. Cost factors and their relation to wages, the preservation of esthetic values, the relation between correct housing and labor stability, and the interrelation of housing and town planning have all been emphasized, although on these points the author might have laid more weight in his initial statement of his problem. Not a little of the book's value is derived from the interesting array of facts and figures dealing with such recent war-time projects as Yorkship, Sun Village, Dundalk and Buckman Village.

Report of the Board of Directors of the American Academy of Political and Social Science for the Year Ending December 31, 1920

The Board of Directors reported to the Annual Meeting of the American Academy of Political and Social Science held January 24, 1921, that the past year had been the most successful in the history of the Academy from the point of view of growth.

During the year 1920 the Academy received 1,361 new members and 188 new subscriptions. The Academy lost 85 members by death; and 418 by resignation.

The receipts and expenditures of the Academy for the fiscal year just ended are clearly set forth in the treasurer's report. The accounts were submitted to Messrs. E. P. Moxey and Company for audit, and copy of their statement is appended here-

with. In order to lighten the burden of expenses incident to the Annual Meeting a fund of \$990 was raised. The Board expressed its gratitude to the contributors to this fund.

The Board assures each and every member of the Academy that during the coming year no effort will be spared in broadening the activities and influence of the organization. In order to accomplish this purpose, the Board should have the benefit of such suggestions as may occur to the members, and it is particularly desirable that definite constructive suggestions to this end be submitted to the President of the Academy.

AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE

STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 1920

Balance Cash on Hand January 1, 1920.....	\$7,793.20
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Receipts

Members' Dues.....	\$32,625.03	
Life Membership.....	300.00	
Special Donations.....	994.00	
Subscriptions.....	4,921.12	
Sales of Publications.....	5,118.91	
Interest on Investments and Bank Balance.....	5,673.64	
Sundries.....	20.02	
Insurance.....	6,056.34	
		55,704.06
		\$63,497.26

Disbursements

Office Expense.....	\$8,580.13	
Philadelphia Meetings.....	4,209.38	
Publicity Expense.....	6,658.94	
Publication of THE ANNALS.....	31,571.68	
Membership.....	5,213.86	
Balance ¹	7,263.27	
		\$63,497.26

¹ An Investment was made totaling \$7,694.81. The making of this purchase created a cash deficit of \$431.54 as of January 1, 1921. The Investments held by the American Academy of Political and Social Science, December 31, 1920, totaled \$117,376.27.

January 15, 1921.

CHARLES J. RHOADS, ESQ., TREAS.,
*American Academy of Political and
Social Science, Philadelphia, Pa.*

Dear Sir:—

We herewith report that we have audited the books and accounts of the *American Academy of Political and Social Science* for its fiscal year ended *December 31, 1920*.

We have prepared and submit herewith statement of receipts and disbursements during the above indicated period, together with statement of assets as at December 31, 1920.

The receipts from all sources were verified by a comparison of the entries for same appearing in the Treasurer's cash book with

the record of bank deposits and were found to be in accord therewith.

The disbursements, as shown by the cash book, were supported by proper vouchers. These vouchers were in the form of cancelled paid checks or receipts for moneys expended. These were examined by us and verified the correctness of the payments made.

The investment securities listed in the statement of assets were examined by us and were found to be correct and in accord with the books.

As the result of our audit and examination we certify that the statements submitted herewith are true and correct.

Yours respectfully,
EDWARD P. MOXEY & Co.,
Certified Public Accountants.

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TWENTY-FIFTH ANNUAL MEETING
OF THE
American Academy of Political
and Social Science

PHILADELPHIA

Friday and Saturday, May 13 and 14, 1921

OUTLINE OF TENTATIVE PROGRAM

FRIDAY

Morning—The Record of Accomplishment of the Existing League of Nations.

Afternoon—The Monroe Doctrine: Effect of America's Participation in a World Organization on the Doctrine.

Evening—The Possibility of Disarmament by International Agreement.

Sub-topic: The Effect of the Participation by the United States in a World Organization upon her Military and Naval Policy.

SATURDAY

Morning—The Treatment of Backward Peoples in a World Organization.

Sub-topic: The System of Mandates and the Obligations of Mandatories in the Existing League of Nations.

Afternoon—The Function of International Courts and Means of Enforcing their Decisions.

Sub-topics: Should Such a Court have Compulsory Jurisdiction? What Powers, if any, should be given to the Court to Enforce its Judgments?

Evening—The Essentials of an Effective World Organization.

(FOR REPERTOIRE WITH REFERENCE TO THE ANNUAL MEETING, SEE SECOND COVER PAGE OF THIS VOLUME.)